

Calendar No. \_\_\_\_\_

106TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

[Report No. 106-\_\_\_\_]

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IN THE SENATE OF THE UNITED STATES

OCTOBER \_\_\_\_ (legislative day, \_\_\_\_\_), 1999

Mr. ROTH, from the Committee on Finance, reported the following original bill; which was read twice and placed on the calendar

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**A BILL**

To amend titles XVIII, XIX, and XXI of the Social Security Act to make corrections and refinements in the medicare, medicaid, and SCHIP programs, as revised and added by the Balanced Budget Act of 1997.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENTS TO SOCIAL SECU-**  
4 **RITY ACT; TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the  
6 “Medicare, Medicaid, and SCHIP Adjustment Act of  
7 1999”.

1 (b) AMENDMENTS TO SOCIAL SECURITY ACT.—Ex-  
 2 cept as otherwise specifically provided, whenever in this  
 3 Act an amendment is expressed in terms of an amendment  
 4 to, or repeal of, a section or other provision, the reference  
 5 shall be considered to be made to that section or other  
 6 provision of the Social Security Act.

7 (c) TABLE OF CONTENTS.—The table of contents of  
 8 this Act is as follows:

Sec. 1. Short title; amendments to Social Security Act; table of contents.

#### TITLE I—PROVISIONS RELATING TO PART A ONLY

##### Subtitle A—Skilled Nursing Facility Services

- Sec. 101. Increase in payment for certain high cost patients.
- Sec. 102. Provision for part B add-ons for facilities participating in the NHCMQ demonstration project.
- Sec. 103. Exemption of facilities from 3-year transition period under the prospective payment system for skilled nursing facility services.
- Sec. 104. Study and report regarding State licensure and certification standards and respiratory therapy competency examinations.
- Sec. 105. Study and report on alternative payment methods for skilled nursing facilities specializing in care of high cost, chronically ill beneficiaries.

##### Subtitle B—Hospice Services

- Sec. 121. Payment for hospice care.
- Sec. 122. Study and report to Congress regarding modification of the payment rates for hospice care.

##### Subtitle C—Other Provisions

- Sec. 141. Study and report regarding prospective payment system for psychiatric hospitals.
- Sec. 142. Revision of prospective payment system for inpatient rehabilitation services.
- Sec. 143. Exception to CMI qualifier for one year.
- Sec. 144. Reclassification of certain counties for purposes of reimbursement under the medicare program.
- Sec. 145. Wage index correction.
- Sec. 146. Consideration of an application by a certain entity for medicare certification as an application by a new provider.
- Sec. 147. Study and report on county-wide geographic reclassification.

#### TITLE II—PROVISIONS RELATING TO PART B ONLY

##### Subtitle A—Hospital Outpatient Department Services

## 3

- Sec. 201. Multiyear transition to prospective payment system for hospital outpatient department services.
- Sec. 202. Study and report to Congress regarding the inclusion of rural and cancer hospitals in prospective payment system for hospital outpatient department services.
- Sec. 203. Outlier adjustment and transitional pass-through for certain medical devices, drugs, and biologicals.

Subtitle B—Physicians’ Services

- Sec. 221. Modifications of update adjustment factor provisions to reduce oscillations and allow for estimate revisions.

TITLE III—PROVISIONS RELATING TO PARTS A AND B

Subtitle A—Home Health Services

- Sec. 301. Delay in the 15 percent reduction in payments under the PPS for home health services.
- Sec. 302. Increase in per visit limit.
- Sec. 303. Increase in per beneficiary limits.
- Sec. 304. Elimination of 15-minute billing requirement.
- Sec. 305. Refinement of home health agency consolidated billing.
- Sec. 306. Study and report to Congress regarding the exemption of rural agencies and populations from inclusion in the home health prospective payment system.
- Sec. 307. Extension of periodic interim payments for home health agencies.

Subtitle B—Graduate Medical Education

- Sec. 321. Revision of multiyear reduction of indirect graduate medical education payments.
- Sec. 322. GME payments for certain interns and residents.

TITLE IV—RURAL INITIATIVES

- Sec. 401. Sole community hospitals and medicare dependent hospitals.
- Sec. 402. Revision of criteria for designation as a critical access hospital.
- Sec. 403. Medicare waivers for hospitals in rural areas.
- Sec. 404. 2-year extension of medicare dependent hospital (MDH) program.
- Sec. 405. Assisting rural graduate medical education residency programs.

TITLE V—PROVISIONS RELATING TO PART C  
(MEDICARE+CHOICE PROGRAM)

Subtitle A—Provisions To Accommodate and Protect Medicare Beneficiaries

- Sec. 501. Permitting enrollment in alternative Medicare+Choice plans and medigap coverage in case of involuntary termination of Medicare+Choice enrollment.
- Sec. 502. Change in effective date of elections and changes of elections of Medicare+Choice plans.
- Sec. 503. Extension of reasonable cost contracts.
- Sec. 504. Revision of notice by hospitals regarding coverage of inpatient hospital services.
- Sec. 505. Extended disenrollment window for certain involuntarily terminated enrollees.

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Subtitle B—Provisions To Facilitate Implementation of the Medicare+Choice Program

- Sec. 521. Moderation of Medicare+Choice risk adjustment implementation.
- Sec. 522. Delay in deadline for submission of adjusted community rates under Medicare+Choice program and related modifications.
- Sec. 523. User fee for Medicare+Choice organizations based on number of enrolled beneficiaries.
- Sec. 524. Change in time period for exclusion of Medicare+Choice organizations that have had a contract terminated.
- Sec. 525. Flexibility to tailor benefits under Medicare+Choice plans.
- Sec. 526. Inapplicability of QISMC to preferred provider organizations.
- Sec. 527. Timing of Medicare+Choice health information fairs.
- Sec. 528. Rules regarding physician referrals for Medicare+Choice program.
- Sec. 529. Clarification regarding the ability of a religious fraternal benefit society to operate a Medicare+Choice private fee-for-service plan.

Subtitle C—Provisions Regarding Special Medicare Populations

- Sec. 541. Extension of social health maintenance organization demonstration project authority.
- Sec. 542. Inapplicability of OASIS to PACE.
- Sec. 543. Medigap protections for PACE program enrollees.
- Sec. 544. Continuation of the frail elderly demonstration project.

Subtitle D—Studies and Reports To Assist in Making Future Improvements in the Medicare Program

- Sec. 561. GAO studies, audits, and reports.
- Sec. 562. Medicare Payment Advisory Commission studies and reports.
- Sec. 563. Computation and report on medicare original fee-for-service expenditures on a county-by-county basis.
- Sec. 564. Study and report on the effects, costs, and feasibility of requiring medicare original fee-for-service entities and Medicare+Choice coordinated care plans to comply with uniform quality standards and related reporting requirements.
- Sec. 565. Study and report to Congress regarding data submission used to establish risk adjustment methodology under the Medicare+Choice program.

TITLE VI—OTHER PROVISIONS

- Sec. 601. 2-year moratorium on therapy caps.
- Sec. 602. Increase in payment amount for renal dialysis services furnished under the medicare program.
- Sec. 603. Increase in payment amount for pap smear laboratory tests.
- Sec. 604. Limitation in reduction of payments to disproportionate share hospitals.
- Sec. 605. Clarification of the inherent reasonableness (IR) authority.
- Sec. 606. Technical amendments relating to BBA provisions.
- Sec. 607. Exclusion from PAYGO scorecard.

TITLE VII—PROVISIONS RELATING TO MEDICAID AND SCHIP

- Sec. 701. Medicaid-related BBA technicals.
- Sec. 702. Increase in disproportionate share hospital allotment for certain States and the District of Columbia.

Sec. 703. Making medicaid DSH transition rule permanent.

Sec. 704. Increased allotments for territories under the State children's health insurance program.

Sec. 705. Removal of fiscal year limitation on certain transitional administrative costs assistance.

Sec. 706. Stabilizing the SCHIP allotment formula.

Sec. 707. Improved data collection and evaluations of the SCHIP program.

Sec. 708. Grants to States for items and services provided by Federally-qualified health centers and rural health clinics.

Sec. 709. Additional technical corrections.

1 **TITLE I—PROVISIONS RELATING**  
2 **TO PART A ONLY**  
3 **Subtitle A—Skilled Nursing**  
4 **Facility Services**

5 **SEC. 101. INCREASE IN PAYMENT FOR CERTAIN HIGH COST**  
6 **PATIENTS.**

7 (a) EXTENSIVE SERVICES AND SPECIAL CARE  
8 RUGS.—

9 (1) IN GENERAL.—For purposes of computing  
10 payments for covered skilled nursing facility services  
11 under paragraph (1) of section 1888(e) of the Social  
12 Security Act (42 U.S.C. 1395yy(e)) for such services  
13 furnished on or after April 1, 2000, and before Oc-  
14 tober 1, 2001, the Secretary of Health and Human  
15 Services (in this section referred to as the “Sec-  
16 retary”) shall increase by 25 percent the adjusted  
17 Federal per diem rate otherwise determined under  
18 paragraph (4) of such section for such services fur-  
19 nished to any individual entitled to benefits under  
20 part A of title XVIII of such Act (42 U.S.C. 1395

1 et seq.) during the period in which the individual is  
2 classified under an applicable RUG III category (as  
3 defined in paragraph (2)).

4 (2) APPLICABLE RUG III CATEGORY DE-  
5 FINED.—In this subsection, the term “applicable  
6 RUG III category” means the RUG III categories  
7 identified as SE3, SE2, SE1, SSC, SSB, and SSA  
8 in tables 3 and 4 of the final rule published in the  
9 Federal Register by the Health Care Financing Ad-  
10 ministration on July 30, 1999 (64 Fed. Reg.  
11 41684).

12 (b) REHABILITATION THERAPY RUGS.—For pur-  
13 poses of computing payments for covered skilled nursing  
14 facility services under paragraph (1) of section 1888(e)  
15 of the Social Security Act (42 U.S.C. 1395yy(e)) for such  
16 services furnished on or after April 1, 2000, and before  
17 October 1, 2001, the Secretary shall increase the adjusted  
18 Federal per diem rate otherwise determined under para-  
19 graph (4) of such section for such services furnished to  
20 any individual entitled to benefits under part A of title  
21 XVIII of such Act (42 U.S.C. 1395 et seq.) during the  
22 period in which the individual is classified under a RUGS  
23 III category (as identified in tables 3 and 4 of the final  
24 rule described in subsection (a)(2)) by the applicable pay-

1 ment add-on determined in accordance with the following  
2 table:

<b>RUGS III category</b>	<b>Applicable payment add-on</b>
RUC .....	\$73.57
RVC .....	\$76.25
RHC .....	\$54.09
RMC .....	\$69.98
RMB .....	\$30.09.

3 (c) **RULE OF CONSTRUCTION.**—Nothing in this sec-  
4 tion shall be construed as permitting the Secretary of  
5 Health and Human Services to include the amount of the  
6 increase in the payment under subsection (a) or the  
7 amount of the add-on under subsection (b) in updating  
8 the Federal per diem rate under section 1888(e)(4) of the  
9 Social Security Act (42 U.S.C. 1395yy(e)(4)).

10 **SEC. 102. PROVISION FOR PART B ADD-ONS FOR FACILI-**  
11 **TIES PARTICIPATING IN THE NHCMQ DEM-**  
12 **ONSTRATION PROJECT.**

13 (a) **IN GENERAL.**—Section 1888(e)(3) (42 U.S.C.  
14 1395yy(e)(3)) is amended—

15 (1) in subparagraph (A)—

16 (A) in clause (i), by inserting “or, in the  
17 case of a facility participating in the Nursing  
18 Home Case-Mix and Quality Demonstration  
19 (RUGS–III), the RUGS–III rate received by  
20 the facility during the cost reporting period be-  
21 ginning in calendar year 1997” after “to non-  
22 settled cost reports”;

1 (B) in clause (ii), by striking “furnished  
2 during such period” and inserting “furnished  
3 during the applicable cost reporting period de-  
4 scribed in clause (i)”; and

5 (C) in the second sentence, by striking  
6 “with respect to exemptions,” and inserting  
7 “with respect to exemptions for facilities (other  
8 than for a facility participating in the Nursing  
9 Home Case-Mix and Quality Demonstration  
10 (RUGS-III)),”; and

11 (2) in subparagraph (B), to read as follows:

12 “(B) UPDATE TO FIRST COST REPORTING  
13 PERIOD.—The Secretary shall update the  
14 amount determined under subparagraph (A),  
15 for each cost reporting period after the applica-  
16 ble cost reporting period described in subpara-  
17 graph (A)(i) and up to the first cost reporting  
18 period by a factor equal to the skilled nursing  
19 facility market basket percentage increase  
20 minus 1 percentage point.”.

21 (b) EFFECTIVE DATE.—The amendments made by  
22 this section shall take effect as if included in the amend-  
23 ments made by section 4432 of the Balanced Budget Act  
24 of 1997 (Public Law 105-33; 111 Stat. 414).

1 **SEC. 103. EXEMPTION OF FACILITIES FROM 3-YEAR TRANSI-**  
2 **TION PERIOD UNDER THE PROSPECTIVE PAY-**  
3 **MENT SYSTEM FOR SKILLED NURSING FACIL-**  
4 **ITY SERVICES.**

5 (a) IN GENERAL.—Section 1888(e) (42 U.S.C.  
6 1395yy(e)) is amended—

7 (1) in paragraph (1), in the matter preceding  
8 subparagraph (A), by striking “paragraph (7)” and  
9 inserting “paragraphs (7) and (11)”; and

10 (2) by adding at the end the following:

11 “(11) EXEMPTION OF FACILITIES FROM 3-YEAR  
12 TRANSITION.—A facility may elect to have para-  
13 graph (1)(B) apply in determining the amount of  
14 the payment for all costs of covered skilled nursing  
15 facility services for each day of such services fur-  
16 nished in cost reporting periods beginning after the  
17 date of such election.”.

18 (b) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to elections made on or after the  
20 date of enactment of this Act.

21 **SEC. 104. STUDY AND REPORT REGARDING STATE LICEN-**  
22 **SURE AND CERTIFICATION STANDARDS AND**  
23 **RESPIRATORY THERAPY COMPETENCY EX-**  
24 **AMINATIONS.**

25 (a) STUDY.—The Secretary of Health and Human  
26 Services shall conduct a study that—

1           (1) identifies variations in State licensure and  
2           certification standards for health care providers (in-  
3           cluding nursing and allied health professionals) and  
4           other individuals providing respiratory therapy in  
5           skilled nursing facilities;

6           (2) examines State requirements relating to res-  
7           piratory therapy competency examinations for such  
8           providers and individuals; and

9           (3) determines whether regular respiratory  
10          therapy competency examinations or certifications  
11          should be required under the medicare program  
12          under title XVIII of the Social Security Act (42  
13          U.S.C. 1395 et seq.) for such providers and individ-  
14          uals.

15          (b) REPORT.—Not later than 1 year after the date  
16          of enactment of this Act, the Secretary of Health and  
17          Human Services shall submit a report to Congress on the  
18          results of the study conducted under this section, together  
19          with any recommendations for legislation that the Sec-  
20          retary determines to be appropriate as a result of such  
21          study.

1 **SEC. 105. STUDY AND REPORT ON ALTERNATIVE PAYMENT**  
2 **METHODS FOR SKILLED NURSING FACILI-**  
3 **TIES SPECIALIZING IN CARE OF HIGH COST,**  
4 **CHRONICALLY ILL BENEFICIARIES.**

5 (a) STUDY.—The Secretary of Health and Human  
6 Services shall conduct a study on the feasibility and advis-  
7 ability of—

8 (1) modifying the prospective payment system  
9 established under section 1888(e) of the Social Secu-  
10 rity Act (42 U.S.C. 1395yy(e)) for skilled nursing  
11 facilities that specialize in providing care to high  
12 cost, chronically ill medicare beneficiaries; or

13 (2) exempting such facilities from such system  
14 and developing and implementing alternative pay-  
15 ment methods for such facilities.

16 (b) REPORT.—Not later than 1 year after the date  
17 of enactment of this Act, the Secretary of Health and  
18 Human Services shall submit a report to Congress on the  
19 study conducted under subsection (a), together with any  
20 recommendations for legislation that the Secretary deter-  
21 mines to be appropriate as a result of such study.

22 **Subtitle B—Hospice Services**

23 **SEC. 121. PAYMENT FOR HOSPICE CARE.**

24 (a) IN GENERAL.—Section 1814(i)(1)(C)(ii) (42  
25 U.S.C. 1395f(i)(1)(C)(ii)) is amended—

26 (1) in subclause (VI)—

1 (A) by striking “through 2002” and insert-  
2 ing “and 1999”; and

3 (B) by striking “and” at the end;

4 (2) by redesignating subclause (VII) as sub-  
5 clause (VIII); and

6 (3) by inserting after subclause (VI), the follow-  
7 ing:

8 “(VII) for each of fiscal years 2000 through  
9 2002, the market basket percentage increase for the  
10 fiscal year involved minus 0.5 percentage point;  
11 and”.

12 (b) EFFECTIVE DATE.—The amendments made by  
13 this section shall take effect on October 1, 1999.

14 **SEC. 122. STUDY AND REPORT TO CONGRESS REGARDING**  
15 **MODIFICATION OF THE PAYMENT RATES FOR**  
16 **HOSPICE CARE.**

17 (a) STUDY.—The Comptroller General of the United  
18 States shall conduct a study to determine the feasibility  
19 and advisability of updating the payment rates and the  
20 cap amount determined with respect to a fiscal year under  
21 section 1814(i) of the Social Security Act (42 U.S.C.  
22 1395f(i)) for routine home care and other services in-  
23 cluded in hospice care. Such study shall examine the cost  
24 factors used to determine such rates and such amount and

1 shall evaluate whether such factors should be modified,  
2 eliminated, or supplemented with additional cost factors.

3 (b) REPORT.—Not later than 1 year after the date  
4 of enactment of this Act, the Comptroller General of the  
5 United States shall submit a report to Congress on the  
6 study conducted under subsection (a), together with any  
7 recommendations for legislation that the Comptroller Gen-  
8 eral determines to be appropriate as a result of such  
9 study.

## 10 **Subtitle C—Other Provisions**

### 11 **SEC. 141. STUDY AND REPORT REGARDING PROSPECTIVE** 12 **PAYMENT SYSTEM FOR PSYCHIATRIC HOS-** 13 **PITALS.**

14 (a) STUDY.—The Secretary of Health and Human  
15 Services shall conduct a study on the feasibility and advis-  
16 ability of developing and implementing a prospective pay-  
17 ment system for items and services provided by psychiatric  
18 hospitals (as defined in section 1861(f) of the Social Secu-  
19 rity Act (42 U.S.C. 1395x(f))) to beneficiaries under the  
20 medicare program under title XVIII of such Act (42  
21 U.S.C. 1395 et seq.). In conducting such study, the Sec-  
22 retary should take into consideration the unique cir-  
23 cumstances affecting psychiatric hospitals that are located  
24 in rural areas (as defined in section 1886(d)(2)(D) of such  
25 Act (42 U.S.C. 1395ww(d)(2)(D))).

1 (b) REPORT.—Not later than 2 years after the date  
2 of enactment of this Act, the Secretary of Health and  
3 Human Services shall submit a report to Congress on the  
4 study conducted under subsection (a), together with any  
5 recommendations for legislation that the Secretary deter-  
6 mines to be appropriate as a result of such study.

7 **SEC. 142. REVISION OF PROSPECTIVE PAYMENT SYSTEM**  
8 **FOR INPATIENT REHABILITATION SERVICES.**

9 (a) PAYMENT UNIT.—Section 1886(j)(1)(D) of the  
10 Social Security Act (42 U.S.C. 1395ww(j)(1)(D)) is  
11 amended to read as follows:

12 “(D) For purposes of this subsection, the  
13 term ‘payment unit’ means a discharge.”.

14 (b) PATIENT CASE MIX GROUPS.—Section  
15 1886(j)(2)(A)(i) of the Social Security Act (42 U.S.C.  
16 1395ww(j)(2)(A)(i)) is amended to read as follows:

17 “(i) classes of patient discharges of  
18 rehabilitation facilities by functional-relat-  
19 ed groups (each in this subsection referred  
20 to as a ‘case mix group’), based on impair-  
21 ment, age, comorbidities, and functional  
22 capability of the patient and such other  
23 factors as the Secretary deems appropriate  
24 to improve the explanatory power of func-

1                    tional independence measure-function re-  
2                    lated groups; and”.

3            (c) STUDY AND REPORT.—

4                    (1) STUDY.—The Secretary of Health and  
5            Human Services shall conduct a study on the impact  
6            that the prospective payment system for inpatient  
7            rehabilitation services under section 1886(j) of the  
8            Social Security Act (42 U.S.C. 1395ww(j)) has on  
9            utilization of services, beneficiary access to services,  
10           non-therapy ancillary services, and other factors that  
11           the Secretary determines are appropriate.

12                   (2) REPORT.—Not later than 2 years after im-  
13            plementation of the prospective payment system de-  
14            scribed in paragraph (1), the Secretary of Health  
15            and Human Services shall submit a report to the ap-  
16            propriate committees of Congress on the study con-  
17            ducted under such paragraph, together with any rec-  
18            ommendations for legislation regarding adjustments  
19            to the payment amounts under such system that the  
20            Secretary determines are appropriate as a result of  
21            such study.

22    **SEC. 143. EXCEPTION TO CMI QUALIFIER FOR ONE YEAR.**

23            Notwithstanding any other provision of law, for pur-  
24            poses of fiscal year 2000, the Northwest Mississippi Re-  
25            gional Medical Center located in Clarksdale, Mississippi

1 shall be deemed to have satisfied the case mix index cri-  
2 teria under section 1886(d)(5)(C)(ii) of the Social Secu-  
3 rity Act (42 U.S.C. 1395ww(d)(5)(C)(ii)) for classification  
4 as a rural referral center.

5 **SEC. 144. RECLASSIFICATION OF CERTAIN COUNTIES FOR**  
6 **PURPOSES OF REIMBURSEMENT UNDER THE**  
7 **MEDICARE PROGRAM.**

8 (a) IN GENERAL.—For purposes of receiving reim-  
9 bursement under the medicare program under title XVIII  
10 of the Social Security Act (42 U.S.C. 1395 et seq.)—

11 (1) Iredell County, North Carolina is deemed to  
12 be located in the Charlotte-Gastonia-Rock Hill-N.C.-  
13 S.C. Metropolitan Statistical Area; and

14 (2) the large urban area of New York, New  
15 York is deemed to include Orange County, New  
16 York.

17 (b) EFFECTIVE DATE.—This section shall apply with  
18 respect to discharges occurring on or after October 1,  
19 1999.

20 **SEC. 145. WAGE INDEX CORRECTION.**

21 Notwithstanding any other provision of law, the Sec-  
22 retary of Health and Human Services shall—

23 (1) recalculate the Hattiesburg Mississippi Met-  
24 ropolitan Statistical Area (MSA) wage index for fis-

1 cal year 2000 using fiscal year 1996 wage and hour  
2 data for Wesley Medical Center;

3 (2) issue a wage index correction for fiscal year  
4 2000; and

5 (3) make such adjustments to the prospective  
6 payment system determined under section 1886(d)  
7 of the Social Security Act (42 U.S.C. 1395ww(d)) as  
8 may be necessary to take into account such cor-  
9 rected wage index.

10 **SEC. 146. CONSIDERATION OF AN APPLICATION BY A CER-**  
11 **TAIN ENTITY FOR MEDICARE CERTIFICATION**  
12 **AS AN APPLICATION BY A NEW PROVIDER.**

13 Notwithstanding any other provision of law, the Sec-  
14 retary of Health and Human Services shall consider an  
15 application (or a reapplication) for certification of a long-  
16 term care facility under the medicare program under title  
17 XVIII of the Social Security Act (42 U.S.C. 1395 et seq.)  
18 that is, or was, submitted after January 1, 1994, by a  
19 subsidiary of a not-for-profit, municipally-owned, and  
20 medicare-certified hospital, where such long-term care fa-  
21 cility has had a change of management from the previous  
22 owner prior to acquisition by such subsidiary, as an appli-  
23 cation by a prospective provider.

1 **SEC. 147. STUDY AND REPORT ON COUNTY-WIDE GEO-**  
2 **GRAPHIC RECLASSIFICATION.**

3 (A) STUDY.—The Secretary of Health and Human  
4 Services, in consultation with the Medicare Geographic  
5 Classification Review Board, shall conduct a study to de-  
6 termine—

7 (1) whether the prospective payment rates es-  
8 tablished under section 1886(d) of the Social Secu-  
9 rity Act (42 U.S.C. 1395ww(d)) are an adequate  
10 proxy for the costs of inpatient hospital services; and

11 (2) whether the standard for county-wide geo-  
12 graphic reclassification needs to be updated or re-  
13 vised.

14 (b) REPORT.—Not later than 1 year after the date  
15 of enactment of this Act, the Secretary of Health and  
16 Human Services shall submit a report to Congress on the  
17 study conducted under subsection (a), together with any  
18 recommendations for legislation that the Secretary deter-  
19 mines to be appropriate as a result of such study.

1                   **TITLE II—PROVISIONS**  
2                   **RELATING TO PART B ONLY**  
3                   **Subtitle A—Hospital Outpatient**  
4                   **Department Services**

5   **SEC. 201. MULTIYEAR TRANSITION TO PROSPECTIVE PAY-**  
6                   **MENT SYSTEM FOR HOSPITAL OUTPATIENT**  
7                   **DEPARTMENT SERVICES.**

8           (a) IN GENERAL.—Section 1833(t) (42 U.S.C.  
9 1395(t)) is amended by adding at the end the following:

10                   “(10) MULTIYEAR TRANSITION.—

11                           “(A) IN GENERAL.—In the case of covered  
12                   OPD services furnished by a hospital during a  
13                   transition year, the Secretary shall increase the  
14                   payments for such services under the prospec-  
15                   tive payment system established under this sub-  
16                   section by the amount (if any) that the Sec-  
17                   retary determines is necessary to ensure that  
18                   the payment to cost ratio of the hospital for the  
19                   transition year (as defined in subparagraph  
20                   (D)(iii)) equals the applicable percentage (as  
21                   defined in subparagraph (D)(i)) of the payment  
22                   to cost ratio of the hospital for 1996.

23                           “(B) PAYMENT TO COST RATIO.—

1                   “(i) IN GENERAL.—The payment to  
2 cost ratio of a hospital for any year is the  
3 ratio which—

4                   “(I) the hospital’s reimbursement  
5 under this part for covered OPD serv-  
6 ices furnished during the year, includ-  
7 ing any reimbursement for such serv-  
8 ices through cost-sharing described in  
9 subparagraph (D)(ii); bears to

10                   “(II) the cost of such services.

11                   “(ii) CALCULATION OF 1996 PAYMENT  
12 TO COST RATIO.—The Secretary shall de-  
13 termine each hospital’s payment to cost  
14 ratio for 1996 as if the amendments made  
15 by section 4521 of the Balanced Budget  
16 Act of 1997 were in effect in 1996.

17                   “(iii) TRANSITION YEARS.—The Sec-  
18 retary shall estimate the payment to cost  
19 ratio of each hospital for each transition  
20 year before the beginning of such year.

21                   “(C) INTERIM PAYMENTS.—

22                   “(i) IN GENERAL.—The Secretary  
23 shall make interim payments to a hospital  
24 during any transition year for which the

1 Secretary estimates a payment is required  
2 under subparagraph (A).

3 “(ii) ADJUSTMENTS.—If the Secretary  
4 makes payments under clause (i) for any  
5 transition year, the Secretary shall make  
6 retrospective adjustments to each hospital  
7 based on its settled cost report so that the  
8 amount of any additional payment to a  
9 hospital for such year equals the amount  
10 described in subparagraph (A).

11 “(D) DEFINITIONS.—In this paragraph:

12 “(i) APPLICABLE PERCENTAGE.—The  
13 term ‘applicable percentage’ means, with  
14 respect to covered OPD services furnished  
15 during—

16 “(I) the first full calendar year  
17 (and any portion of the immediately  
18 preceding calendar year) for which the  
19 prospective payment system under  
20 this subsection is in effect, 90 percent;

21 “(II) the second full calendar  
22 year for which such system is in ef-  
23 fect, 85 percent; and

1                   “(III) the third full calendar year  
2                   for which such system is in effect, 80  
3                   percent.

4                   “(ii) COST-SHARING.—The term ‘cost-  
5                   sharing’ includes—

6                   “(I) copayment amounts de-  
7                   scribed in paragraph (5);

8                   “(II) coinsurance described in  
9                   section 1866(a)(2)(A)(ii); and

10                  “(III) the deductible described  
11                  under section 1833(b).

12                  “(iii) TRANSITION YEAR.—The term  
13                  ‘transition year’ means any year (or por-  
14                  tion thereof) described in clause (i).

15                  “(E) EFFECT ON COPAYMENTS.—Nothing  
16                  in this paragraph shall be construed as affect-  
17                  ing the unadjusted copayment amount de-  
18                  scribed in paragraph (3)(B).

19                  “(F) APPLICATION WITHOUT REGARD TO  
20                  BUDGET NEUTRALITY.—The transitional pay-  
21                  ments made under this paragraph—

22                  “(i) shall not be considered an adjust-  
23                  ment under paragraph (2)(E); and

24                  “(ii) shall not be implemented in a  
25                  budget neutral manner.”.

1 (b) SPECIAL RULE FOR RURAL AND CANCER HOS-  
2 PITALS.—Section 1833(t) (42 U.S.C. 1395(t)), as amend-  
3 ed by subsection (a), is amended by adding at the end  
4 the following:

5 “(11) SPECIAL RULE FOR RURAL AND CANCER  
6 HOSPITALS.—

7 “(A) IN GENERAL.—For each calendar  
8 year or portion thereof (beginning with 2000),  
9 in the case of covered OPD services furnished  
10 by a medicare-dependent, small rural hospital  
11 (as defined in section 1886(d)(5)(G)(iv)), a sole  
12 community hospital (as defined in section  
13 1886(d)(5)(D)(iii)), or in a hospital described  
14 in section 1886(d)(1)(B)(v), the Secretary shall  
15 increase the payments for such services under  
16 the prospective payment system established  
17 under this subsection by the amount (if any)  
18 that the Secretary determines is necessary to  
19 ensure that the payment to cost ratio of the  
20 hospital (as determined pursuant to paragraph  
21 (10)(B)) for the year equals the payment to  
22 cost ratio of the hospital for 1996 (as cal-  
23 culated under clause (ii) of such paragraph).

24 “(B) INTERIM PAYMENTS.—

1                   “(i) IN GENERAL.—The Secretary  
2                   shall make interim payments to a hospital  
3                   during any year for which the Secretary  
4                   estimates a payment is required under sub-  
5                   paragraph (A).

6                   “(ii) ADJUSTMENTS.—If the Secretary  
7                   makes payments under clause (i) for any  
8                   year, the Secretary shall make retrospec-  
9                   tive adjustments to each hospital based on  
10                  its settled cost report so that the amount  
11                  of any additional payment to a hospital for  
12                  such year equals the amount described in  
13                  subparagraph (A).

14                  “(C) EFFECT ON COPAYMENTS.—Nothing  
15                  in this paragraph shall be construed as affect-  
16                  ing the unadjusted copayment amount de-  
17                  scribed in paragraph (3)(B).

18                  “(D) APPLICATION WITHOUT REGARD TO  
19                  BUDGET NEUTRALITY.—The payments made  
20                  under this paragraph—

21                         “(i) shall not be considered an adjust-  
22                         ment under paragraph (2)(E); and

23                         “(ii) shall not be implemented in a  
24                         budget neutral manner.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall take effect on the date of enactment of  
3 this Act.

4 **SEC. 202. STUDY AND REPORT TO CONGRESS REGARDING**  
5 **THE INCLUSION OF RURAL AND CANCER**  
6 **HOSPITALS IN PROSPECTIVE PAYMENT SYS-**  
7 **TEM FOR HOSPITAL OUTPATIENT DEPART-**  
8 **MENT SERVICES.**

9 (a) STUDY.—

10 (1) IN GENERAL.—The Medicare Payment Ad-  
11 visory Commission (referred to in this section as  
12 “MedPAC”) shall conduct a study to determine the  
13 feasibility and advisability of providing payments to  
14 hospitals described in paragraph (2) for covered  
15 OPD services (as defined in paragraph (1)(B) of  
16 section 1833(t) of the Social Security Act (42  
17 U.S.C. 1395l(t))) based on the prospective payment  
18 system established by the Secretary in accordance  
19 with such section.

20 (2) HOSPITALS DESCRIBED.—The hospitals de-  
21 scribed in this paragraph are the following:

22 (A) A medicare-dependent, small rural hos-  
23 pital (as defined in section 1886(d)(5)(G)(iv) of  
24 the Social Security Act (42 U.S.C.  
25 1395ww(d)(5)(G)(iv))).

1 (B) A sole community hospital (as defined  
2 in section 1886(d)(5)(D)(iii) of such Act (42  
3 U.S.C. 1395ww(d)(5)(D)(iii))).

4 (C) A hospital described in section  
5 1886(d)(1)(B)(v) of such Act (42 U.S.C.  
6 1395ww(d)(1)(B)(v)).

7 (b) REPORT.—Not later than 2 years after the date  
8 of enactment of this Act, MedPAC shall submit a report  
9 to the Secretary of Health and Human Services and Con-  
10 gress on the study conducted under subsection (a), to-  
11 gether with any recommendations for legislation that  
12 MedPAC determines to be appropriate as a result of such  
13 study.

14 (c) COMMENTS.—Not later than 60 days after the  
15 date on which MedPAC submits the report under sub-  
16 section (b) to the Secretary of Health and Human Serv-  
17 ices, the Secretary shall submit comments on such report  
18 to Congress.

19 **SEC. 203. OUTLIER ADJUSTMENT AND TRANSITIONAL PASS-**  
20 **THROUGH FOR CERTAIN MEDICAL DEVICES,**  
21 **DRUGS, AND BIOLOGICALS.**

22 (a) OUTLIER ADJUSTMENT.—Section 1833(t) (42  
23 U.S.C. 1395l(t)), as amended by section 201, is amend-  
24 ed—

1           (1) by redesignating paragraphs (5) through  
2           (11) as paragraphs (7) through (13), respectively;  
3           and

4           (2) by inserting after paragraph (4) the follow-  
5           ing:

6           “(5) OUTLIER ADJUSTMENT.—

7                   “(A) IN GENERAL.—The Secretary shall  
8           provide for an additional payment for each cov-  
9           ered OPD service (or group of services) for  
10          which a hospital’s charges, adjusted to cost, ex-  
11          ceed—

12                           “(i) a fixed multiple of the sum of—

13                                   “(I) the applicable medicare  
14                           OPD fee schedule amount determined  
15                           under paragraph (3)(D), as adjusted  
16                           under paragraph (4)(A) (other than  
17                           for adjustments under this paragraph  
18                           or paragraph (6)); and

19                                   “(II) any transitional pass-  
20                           through payment under paragraph  
21                           (6); and

22                           “(ii) at the option of the Secretary,  
23           such fixed dollar amount as the Secretary  
24           may establish.

1           “(B) AMOUNT OF ADJUSTMENT.—The  
2 amount of the additional payment under sub-  
3 paragraph (A) shall be determined by the Sec-  
4 retary and shall approximate the marginal cost  
5 of care beyond the applicable cutoff point under  
6 such subparagraph.

7           “(C) LIMIT ON AGGREGATE OUTLIER AD-  
8 JUSTMENTS.—

9           “(i) IN GENERAL.—The total of the  
10 additional payments made under this para-  
11 graph for covered OPD services furnished  
12 in a year (as estimated by the Secretary  
13 before the beginning of the year) may not  
14 exceed the applicable percentage (specified  
15 in clause (ii)) of the total program pay-  
16 ments estimated to be made under this  
17 subsection for all covered OPD services  
18 furnished in that year. If this paragraph is  
19 first applied to less than a full year, the  
20 previous sentence shall apply only to the  
21 portion of such year.

22           “(ii) APPLICABLE PERCENTAGE.—For  
23 purposes of clause (i), the term ‘applicable  
24 percentage’ means a percentage specified

1 by the Secretary up to (but not to ex-  
2 ceed)—

3 “(I) for a year (or portion of a  
4 year) before 2004, 2.5 percent; and

5 “(II) for 2004 and thereafter,  
6 3.0 percent.”.

7 (b) TRANSITIONAL PASS-THROUGH FOR ADDITIONAL  
8 COSTS OF INNOVATIVE MEDICAL DEVICES, DRUGS, AND  
9 BIOLOGICALS.—Such section is further amended by in-  
10 serting after paragraph (5) the following:

11 “(6) TRANSITIONAL PASS-THROUGH FOR ADDI-  
12 TIONAL COSTS OF INNOVATIVE MEDICAL DEVICES,  
13 DRUGS, AND BIOLOGICALS.—

14 “(A) IN GENERAL.—The Secretary shall  
15 provide for an additional payment under this  
16 paragraph for a covered OPD service (or group  
17 of services) that includes the provision of any of  
18 the following:

19 “(i) CURRENT ORPHAN DRUGS.—A  
20 drug or biological that is used for a rare  
21 disease or condition with respect to which  
22 the drug or biological has been designated  
23 as an orphan drug under section 526 of  
24 the Federal Food, Drug and Cosmetic Act  
25 if payment for the drug or biological as an

1 outpatient hospital service under this part  
2 was being made on the first date that the  
3 system under this subsection is imple-  
4 mented.

5 “(ii) CURRENT CANCER THERAPY  
6 DRUGS AND BIOLOGICALS.—A drug or bio-  
7 logical that is used in cancer therapy, in-  
8 cluding a chemotherapeutic agent,  
9 antiemetic, hematopoietic growth factor,  
10 colony stimulating factor, and a biological  
11 response modifier, if payment for the drug  
12 or biological as an outpatient hospital serv-  
13 ice under this part was being made on  
14 such first date.

15 “(iii) RADIOPHARMACEUTICAL DRUGS  
16 AND BIOLOGICAL PRODUCTS.—  
17 Radiopharmaceutical drugs or biological  
18 products used in diagnostic, monitoring,  
19 and therapeutic nuclear medicine proce-  
20 dures.

21 “(iv) NEW MEDICAL DEVICES, DRUGS,  
22 AND BIOLOGICALS.—A medical device,  
23 drug, or biological not described in clause  
24 (i), (ii), or (iii) if—

1                   “(I) payment for the device,  
2                   drug, or biological as an outpatient  
3                   hospital services under this part was  
4                   not being made as of December 31,  
5                   1996; and

6                   “(II) the cost of the device, drug,  
7                   or biological is not insignificant in re-  
8                   lation to the OPD fee schedule  
9                   amount (as calculated under para-  
10                  graph (3)(D)) payable for the service  
11                  (or group of services) involved.

12                  “(B) LIMITED PERIOD OF PAYMENT.—The  
13                  payment under this paragraph with respect to  
14                  a medical device, drug, or biological shall only  
15                  apply during a period of at least 2 years, but  
16                  not more than 3 years, that begins—

17                  “(i) on the first date this subsection is  
18                  implemented in the case of a drug or bio-  
19                  logical described in clause (i), (ii), (iii) of  
20                  subparagraph (A) and in the case of a de-  
21                  vice, drug, or biological described in clause  
22                  (iv) of such subparagraph for which pay-  
23                  ment under this part is made as an out-  
24                  patient hospital service before such first  
25                  date; or

1           “(ii) in the case of a device, drug, or  
2           biological described in subparagraph  
3           (A)(iv) not described in clause (i), on the  
4           first date on which payment is made under  
5           this part for the device, drug, or biological  
6           as an outpatient hospital service.

7           “(C) AMOUNT OF ADDITIONAL PAY-  
8           MENT.—Subject to subparagraph (D)(iii), the  
9           amount of the payment under this paragraph  
10          with respect to a device, drug, or biological pro-  
11          vided as part of a covered OPD service is—

12           “(i) in the case of a drug or biological,  
13           the amount by which the amount deter-  
14           mined under section 1842(o) for the drug  
15           or biological exceeds the portion of the oth-  
16           erwise applicable medicare OPD fee sched-  
17           ule that the Secretary determines is associ-  
18           ated with the drug or biological; or

19           “(ii) in the case of a medical device,  
20           the amount by which the hospital’s charges  
21           for the device, adjusted to cost, exceeds the  
22           portion (described in clause (i)) associated  
23           with the device.

24           “(D) LIMIT ON AGGREGATE ANNUAL AD-  
25          JUSTMENT.—

1                   “(i) IN GENERAL.—The total of the  
2                   additional payments made under this para-  
3                   graph for covered OPD services furnished  
4                   in a year (as estimated by the Secretary  
5                   before the beginning of the year) may not  
6                   exceed the applicable percentage (specified  
7                   in clause (ii)) of the total program pay-  
8                   ments estimated to be made under this  
9                   subsection for all covered OPD services  
10                  furnished in that year. If this paragraph is  
11                  first applied to less than a full year, the  
12                  previous sentence shall apply only to the  
13                  portion of such year.

14                  “(ii) APPLICABLE PERCENTAGE.—For  
15                  purposes of clause (i), the term ‘applicable  
16                  percentage’ means—

17                         “(I) for a year (or portion of a  
18                         year) before 2004, 2.5 percent; and

19                         “(II) for 2004 and thereafter, a  
20                         percentage specified by the Secretary  
21                         up to (but not to exceed) 2.0 percent.

22                  “(iii) UNIFORM PROSPECTIVE REDUC-  
23                  TION IF AGGREGATE LIMIT PROJECTED TO  
24                  BE EXCEEDED.—If the Secretary projects  
25                  or estimates before the beginning of a year

1           that the amount of the additional pay-  
2           ments under this paragraph for the year  
3           (or portion thereof) (as determined under  
4           clause (i) without regard to this clause)  
5           will exceed the limit established under such  
6           clause, the Secretary shall reduce pro rata  
7           the amount of each of the additional pay-  
8           ments under this paragraph for that year  
9           (or portion thereof) in order to ensure that  
10          the aggregate additional payments under  
11          this paragraph (as so estimated) do not ex-  
12          ceed such limit.”.

13          (c) APPLICATION OF NEW ADJUSTMENTS ON A  
14 BUDGET NEUTRAL BASIS.—Section 1833(t)(2)(E) (42  
15 U.S.C. 1395l(t)(2)(E)) is amended by striking “other ad-  
16 justments, in a budget neutral manner, as determined to  
17 be necessary to ensure equitable payments, such outlier  
18 adjustments or” and inserting “, in a budget neutral man-  
19 ner, outlier adjustments under paragraph (5) and transi-  
20 tional pass-through payments under paragraph (6) and  
21 other adjustments as determined to be necessary to ensure  
22 equitable payments, such as”.

23          (d) LIMITATION ON JUDICIAL REVIEW FOR NEW AD-  
24 JUSTMENTS.—Section 1833(t)(11) (42 U.S.C.

1 1395l(t)(11)), as redesignated by subsection (a)(1), is  
2 amended—

3 (1) by striking “and” at the end of subpara-  
4 graph (C);

5 (2) by striking the period at the end of sub-  
6 paragraph (D) and inserting “; and”; and

7 (3) by adding at the end the following:

8 “(E) the determination of the fixed mul-  
9 tiple or a fixed dollar cutoff amount, the mar-  
10 ginal cost of care, or applicable percentage  
11 under paragraph (5), or the determination of  
12 insignificance of cost, the period and amount of  
13 the additional payments, the portion of the  
14 medicare OPD fee schedule amount associated  
15 with particular devices, drugs, or biologicals,  
16 and the application of any pro rata reduction  
17 under paragraph (6).”.

18 (e) INCLUSION OF MEDICAL DEVICES UNDER SYS-  
19 TEM.—Section 1833(t)(1)(B) (42 U.S.C. 1395l(t)(1)(B))  
20 is amended—

21 (1) in clause (ii), by striking “clause (iii)” and  
22 inserting “clause (iv)” and by striking “but”; and

23 (2) by redesignating clause (iii) as clause (iv)  
24 and inserting after clause (ii) the following:

1                   “(iii) includes medical devices (such  
2                   as implantable medical devices); but”.

3           (f) AUTHORIZING PAYMENT WEIGHTS BASED ON  
4 MEAN HOSPITAL COSTS.—Section 1833(t)(2)(C) (42  
5 U.S.C. 1395l(t)(2)(C)) is amended by inserting “(or, at  
6 the election of the Secretary, mean)” after “median”.

7           (g) LIMITING VARIATION OF COSTS OF SERVICES  
8 CLASSIFIED WITH A GROUP.—Section 1833(t)(2) (42  
9 U.S.C. 1395l(t)(2)) is amended by adding at the end the  
10 following: “For purposes of subparagraph (B), items and  
11 services within a group shall not be treated as ‘comparable  
12 with respect to the use of resources’ if the highest median  
13 cost (or mean cost, if elected by the Secretary under sub-  
14 paragraph (C)) for an item or service within the group  
15 is more than 2 times greater than the lowest median cost  
16 (or mean cost, if so elected) for an item or service within  
17 the group; except that the Secretary may make exceptions  
18 in unusual cases, such as low volume items and services.”.

19           (h) ANNUAL REVIEW OF OPD PPS COMPONENTS.—

20                 (1) IN GENERAL.—Section 1833(t)(8)(A) (42  
21 U.S.C. 1395l(t)(8)(A)) (as redesignated by sub-  
22 section (a)(1)) is amended by striking “may periodi-  
23 cally review” and inserting “shall review not less  
24 often than annually”.

1           (2) EFFECTIVE DATE.—The amendment made  
2           by paragraph (1) applies beginning with 2002.

3           (i) EFFECTIVE DATE.—Except as provided in this  
4           section, the amendments made by this section shall be ef-  
5           fective as if included in the amendments made by section  
6           4523 of the Balanced Budget Act of 1997 (Public Law  
7           105–33; 111 Stat. 445).

## 8           **Subtitle B—Physicians’ Services**

### 9           **SEC. 221. MODIFICATIONS OF UPDATE ADJUSTMENT FAC-** 10           **TOR PROVISIONS TO REDUCE OSCILLATIONS** 11           **AND ALLOW FOR ESTIMATE REVISIONS.**

12           (a) UPDATE ADJUSTMENT FACTOR.—

13           (1) IN GENERAL.—Section 1848(d) (42 U.S.C.  
14           1395w–4(d)) is amended—

15           (A) in paragraph (3)—

16           (i) in the heading, by inserting “FOR  
17           1999 AND 2000” after “UPDATE”;

18           (ii) in subparagraph (A), by striking  
19           “a year beginning with 1999” and insert-  
20           ing “1999 and 2000”; and

21           (iii) in subparagraph (C), by inserting  
22           “and paragraph (4)” after “For purposes  
23           of this paragraph”; and

24           (B) by adding at the end the following:

1           “(4) UPDATE FOR YEARS BEGINNING WITH  
2           2001.—

3           “(A) IN GENERAL.—Unless otherwise pro-  
4           vided by law, subject to the budget-neutrality  
5           factor determined by the Secretary under sub-  
6           section (c)(2)(B)(ii) and subject to adjustment  
7           under subparagraph (F), the update to the sin-  
8           gle conversion factor established in paragraph  
9           (1)(C) for a year beginning with 2001 is equal  
10          to the product of—

11           “(i) 1 plus the Secretary’s estimate of  
12           the percentage increase in the MEI (as de-  
13           fined in section 1842(i)(3)) for the year  
14           (divided by 100); and

15           “(ii) 1 plus the Secretary’s estimate of  
16           the update adjustment factor under sub-  
17           paragraph (B) for the year.

18          “(B) UPDATE ADJUSTMENT FACTOR.—For  
19          purposes of subparagraph (A)(ii), subject to  
20          subparagraph (D), the ‘update adjustment fac-  
21          tor’ for a year is equal (as estimated by the  
22          Secretary) to the sum of the following:

23           “(i) PRIOR YEAR ADJUSTMENT COM-  
24           PONENT.—An amount determined by—

1                   “(I) computing the difference  
2                   (which may be positive or negative)  
3                   between the amount of the allowed ex-  
4                   penditures for physicians’ services for  
5                   the prior year (as determined under  
6                   subparagraph (C)) and the amount of  
7                   the actual expenditures for such serv-  
8                   ices for that year;

9                   “(II) dividing that difference by  
10                  the amount of the actual expenditures  
11                  for such services for that year; and

12                  “(III) multiplying that quotient  
13                  by 0.75.

14                  “(ii) CUMULATIVE ADJUSTMENT COM-  
15                  PONENT.—An amount determined by—

16                  “(I) computing the difference  
17                  (which may be positive or negative)  
18                  between the amount of the allowed ex-  
19                  penditures for physicians’ services (as  
20                  determined under subparagraph (C))  
21                  from April 1, 1996, through the end  
22                  of the prior year and the amount of  
23                  the actual expenditures for such serv-  
24                  ices during that period;

1                   “(II) dividing that difference by  
2                   actual expenditures for such services  
3                   for the prior year as increased by the  
4                   sustainable growth rate under sub-  
5                   section (f) for the year for which the  
6                   update adjustment factor is to be de-  
7                   termined; and

8                   “(III) multiplying that quotient  
9                   by 0.33.

10                   “(C) DETERMINATION OF ALLOWED EX-  
11                   PENDITURES.—For purposes of this paragraph:

12                   “(i) PERIOD UP TO APRIL 1, 1999.—  
13                   The allowed expenditures for physicians’  
14                   services for a period before April 1, 1999,  
15                   shall be the amount of the allowed expendi-  
16                   tures for such period as determined under  
17                   paragraph (3)(C).

18                   “(ii) TRANSITION TO CALENDAR YEAR  
19                   ALLOWED EXPENDITURES.—Subject to  
20                   subparagraph (E), the allowed expendi-  
21                   tures for—

22                   “(I) the 9-month period begin-  
23                   ning April 1, 1999, shall be the Sec-  
24                   retary’s estimate of the amount of the  
25                   allowed expenditures that would be

1 permitted under paragraph (3)(C) for  
2 such period; and

3 “(II) the year of 1999, shall be  
4 the Secretary’s estimate of the  
5 amount of the allowed expenditures  
6 that would be permitted under para-  
7 graph (3)(C) for such year.

8 “(iii) YEARS BEGINNING WITH 2000.—  
9 The allowed expenditures for a year (be-  
10 ginning with 2000) is equal to the allowed  
11 expenditures for physicians’ services for  
12 the previous year, increased by the sustain-  
13 able growth rate under subsection (f) for  
14 the year involved.

15 “(D) RESTRICTION ON UPDATE ADJUST-  
16 MENT FACTOR.—The update adjustment factor  
17 determined under subparagraph (B) for a year  
18 may not be less than -0.07 or greater than  
19 0.03.

20 “(E) RECALCULATION OF ALLOWED EX-  
21 PENDITURES FOR UPDATES BEGINNING WITH  
22 2001.—For purposes of determining the update  
23 adjustment factor for a year beginning with  
24 2001, the Secretary shall recompute the allowed  
25 expenditures for previous periods beginning on

1 or after April 1, 1999, consistent with sub-  
2 section (f)(3).

3 “(F) TRANSITIONAL ADJUSTMENT DE-  
4 SIGNED TO PROVIDE FOR BUDGET NEUTRAL-  
5 ITY.—Under this subparagraph the Secretary  
6 shall provide for an adjustment to the update  
7 under subparagraph (A)—

8 “(i) for each of 2001, 2002, 2003,  
9 and 2004, of -0.2 percent; and

10 “(ii) for 2005 of +0.8 percent.”.

11 (2) PUBLICATION CHANGE.—

12 (A) IN GENERAL.—Section 1848(d)(1)(E)  
13 (42 U.S.C. 1395w-4(d)(1)(E)) is amended to  
14 read as follows:

15 “(E) PUBLICATION AND DISSEMINATION  
16 OF INFORMATION.—The Secretary shall—

17 “(i) cause to have published in the  
18 Federal Register not later than November  
19 1 of each year (beginning with 2000) the  
20 conversion factor which will apply to physi-  
21 cians’ services for the succeeding year, the  
22 update determined under paragraph (4)  
23 for such succeeding year, and the allowed  
24 expenditures under such paragraph for  
25 such succeeding year; and

1           “(ii) make available to the Medicare  
2           Payment Advisory Commission and the  
3           public by March 1 of each year (beginning  
4           with 2000) an estimate of the conversion  
5           factor which will apply to physicians’ serv-  
6           ices for the succeeding year and data used  
7           in making such estimate.”.

8           (B) MEDPAC REVIEW OF CONVERSION  
9           FACTOR ESTIMATES.—Section 1805(b)(1)(D)  
10          (42 U.S.C. 1395b–6(b)(1)(D)) is amended by  
11          inserting “and including a review of the esti-  
12          mate of the conversion factor submitted under  
13          section 1848(d)(1)(E)(ii)” before the period at  
14          the end.

15          (C) 1-TIME PUBLICATION OF INFORMATION  
16          ON TRANSITION.—The Secretary of Health and  
17          Human Services shall cause to have published  
18          in the Federal Register, not later than 90 days  
19          after the date of the enactment of this section,  
20          the Secretary’s determination, based upon the  
21          best available data, of—

22                  (i) the allowed expenditures under  
23                  subclauses (I) and (II) of section  
24                  1848(d)(4)(C)(ii) of the Social Security  
25                  Act, as added by subsection (a)(1)(B), for

1 the 9-month period beginning on April 1,  
2 1999, and for 1999;

3 (ii) the estimated actual expenditures  
4 described in section 1848(d) of such Act  
5 for 1999; and

6 (iii) the sustainable growth rate under  
7 section 1848(f) of such Act (42 U.S.C.  
8 1395w-4(f)) for 2000.

9 (3) CONFORMING AMENDMENTS.—

10 (A) Section 1848 (42 U.S.C. 1395w-4) is  
11 amended—

12 (i) in subsection (d)(1)(A), by insert-  
13 ing “(for years before 2001) and, for years  
14 beginning with 2001, multiplied by the up-  
15 date (established under paragraph (4)) for  
16 the year involved” after “for the year in-  
17 volved”; and

18 (ii) in subsection (f)(2)(D), by insert-  
19 ing “or (d)(4)(B), as the case may be”  
20 after “(d)(3)(B)”.

21 (B) Section 1833(l)(4)(A)(i)(VII) (42  
22 U.S.C. 1395l(4)(A)(i)(VII)) is amended by  
23 striking “1848(d)(3)” and inserting “1848(d)”.

24 (b) SUSTAINABLE GROWTH RATES.—Section 1848(f)  
25 (42 U.S.C. 1395w-4(f)) is amended—

1           (1) by striking paragraph (1) and inserting the  
2 following:

3           “(1) PUBLICATION.—The Secretary shall cause  
4 to have published in the Federal Register not later  
5 than—

6                   “(A) November 1, 2000, the sustainable  
7 growth rate for 2000 and 2001; and

8                   “(B) November 1 of each succeeding year  
9 the sustainable growth rate for such succeeding  
10 year and each of the preceding 2 years.”;

11           (2) in paragraph (2)—

12                   (A) in the matter before subparagraph (A),  
13 by striking “fiscal year 1998)” and inserting  
14 “fiscal year 1998 and ending with fiscal year  
15 2000) and a year beginning with 2000”; and

16                   (B) in subparagraphs (A) through (D), by  
17 striking “fiscal year” and inserting “applicable  
18 period” each place it appears;

19           (3) in paragraph (3), by adding at the end the  
20 following:

21                   “(C) APPLICABLE PERIOD.—The term ‘ap-  
22 plicable period’ means—

23                           “(i) a fiscal year, in the case of fiscal  
24 year 1998, fiscal year 1999, and fiscal year  
25 2000; or

1                   “(ii) a calendar year with respect to a  
2                   year beginning with 2000;  
3                   as the case may be.”;

4                   (4) by redesignating paragraph (3) as para-  
5                   graph (4); and

6                   (5) by inserting after paragraph (2) the follow-  
7                   ing:

8                   “(3) DATA TO BE USED.—For purposes of de-  
9                   termining the update adjustment factor under sub-  
10                  section (d)(4)(B) for a year beginning with 2001,  
11                  the sustainable growth rates taken into consideration  
12                  in the determination under paragraph (2) shall be  
13                  determined as follows:

14                  “(A) FOR 2001.—For purposes of such cal-  
15                  culations for 2001, the sustainable growth rates  
16                  for fiscal year 2000 and the years 2000 and  
17                  2001 shall be determined on the basis of the  
18                  best data available to the Secretary as of Sep-  
19                  tember 1, 2000.

20                  “(B) FOR 2002.—For purposes of such cal-  
21                  culations for 2002, the sustainable growth rates  
22                  for fiscal year 2000 and for years 2000, 2001,  
23                  and 2002 shall be determined on the basis of  
24                  the best data available to the Secretary as of  
25                  September 1, 2001.

1                   “(C) FOR 2003 AND SUCCEEDING YEARS.—  
2                   For purposes of such calculations for a year  
3                   after 2002—

4                   “(i) the sustainable growth rates for  
5                   that year and the preceding 2 years shall  
6                   be determined on the basis of the best data  
7                   available to the Secretary as of September  
8                   1 of the year preceding the year for which  
9                   the calculation is made; and

10                   “(ii) the sustainable growth rate for  
11                   any year before a year described in clause  
12                   (i) shall be the rate as most recently deter-  
13                   mined for that year under this subsection.

14                   Nothing in this paragraph shall be construed as af-  
15                   fecting the sustainable growth rates established for  
16                   fiscal year 1998 or fiscal year 1999.”.

17                   (c) STUDY AND REPORT REGARDING THE UTILIZA-  
18                   TION OF PHYSICIANS’ SERVICES BY MEDICARE BENE-  
19                   FICIARIES.—

20                   (1) STUDY BY SECRETARY.—The Secretary,  
21                   acting through the Administrator of the Agency for  
22                   Health Care Policy and Research, shall conduct a  
23                   study of the issues specified in paragraph (2).

24                   (2) ISSUES TO BE STUDIED.—The issues speci-  
25                   fied in this paragraph are the following:

1           (A) The various methods for accurately es-  
2           timating the economic impact on expenditures  
3           for physicians' services under the original medi-  
4           care fee-for-service program under parts A and  
5           B of title XVIII of the Social Security Act (42  
6           U.S.C. 1395 et seq.) resulting from—

7                   (i) improvements in medical capabili-  
8                   ties;

9                   (ii) advancements in scientific tech-  
10                  nology;

11                  (iii) demographic changes in the types  
12                  of medicare beneficiaries that receive bene-  
13                  fits under such program; and

14                  (iv) geographic changes in locations  
15                  where medicare beneficiaries receive bene-  
16                  fits under such program.

17           (B) The rate of usage of physicians' serv-  
18           ices under the original medicare fee-for-service  
19           program under parts A and B of title XVIII of  
20           the Social Security Act (42 U.S.C. 1395 et  
21           seq.) among beneficiaries between ages 65 and  
22           74, 75 and 84, 85 and over, and disabled bene-  
23           ficiaries under age 65.

24           (C) Other factors that may be reliable pre-  
25           dictors of beneficiary utilization of physicians'

1 services under the original medicare fee-for-  
2 service program under parts A and B of title  
3 XVIII of the Social Security Act (42 U.S.C.  
4 1395 et seq.).

5 (3) REPORT TO MEDPAC.—Not later than 3  
6 years after the date of enactment of this Act, the  
7 Secretary of Health and Human Services shall sub-  
8 mit a report to MedPAC setting forth the results of  
9 the study conducted pursuant to paragraph (1), to-  
10 gether with any recommendations the Secretary de-  
11 termines are appropriate.

12 (4) MEDPAC REPORT TO CONGRESS.—Not later  
13 than 180 days after receipt of the report submitted  
14 to MedPAC under paragraph (1), MedPAC shall  
15 submit a copy of such report to the committees of  
16 jurisdiction in Congress, together with an analysis  
17 and evaluation of such report and any recommenda-  
18 tions that it determines are appropriate.

19 (d) EFFECTIVE DATE.—The amendments made by  
20 this section shall be effective in determining the conversion  
21 factor under section 1848(d) of the Social Security Act  
22 (42 U.S.C. 1395w-4(d)) for years beginning with 2001  
23 and shall not apply to or affect any update (or any update  
24 adjustment factor) for any year before 2001.

1                   **TITLE III—PROVISIONS**  
2                   **RELATING TO PARTS A AND B**  
3                   **Subtitle A—Home Health Services**

4   **SEC. 301. DELAY IN THE 15 PERCENT REDUCTION IN PAY-**  
5                   **MENTS UNDER THE PPS FOR HOME HEALTH**  
6                   **SERVICES.**

7           (a) CONTINGENCY REDUCTION.—Section 4603(e) of  
8 the Balanced Budget Act of 1997 (42 U.S.C. 1395fff  
9 note), as amended by section 5101(e)(3) of the Tax and  
10 Trade Relief Extension Act of 1998 (contained in division  
11 J of Public Law 105–277), is repealed.

12          (b) DELAY IN REDUCTION UNDER THE PPS.—Sec-  
13 tion 1895(b)(3)(A)(i) (42 U.S.C. 1395fff(b)(3)(A)(i)), as  
14 amended by section 5101 of the Tax and Trade Relief Ex-  
15 tension Act of 1998 (contained in division J of Public Law  
16 105–277), is amended to read as follows:

17                   “(i) IN GENERAL.—Under such sys-  
18 tem the Secretary shall provide for com-  
19 putation of a standard prospective pay-  
20 ment amount (or amounts) as follows:

21                           “(I) Such amount (or amounts)  
22 shall initially be based on the most  
23 current audited cost report data avail-  
24 able to the Secretary and shall be  
25 computed in a manner so that the

1 total amounts payable under the sys-  
2 tem for fiscal year 2001 shall be equal  
3 to the total amount that would have  
4 been made if the system had not been  
5 in effect, but if the reduction in limits  
6 described in clause (ii) (applied by  
7 substituting '5' for '15') had been in  
8 effect.

9 “(II) For fiscal year 2002, such  
10 amount (or amounts) shall be equal to  
11 the amount (or amounts) that would  
12 have been determined under subclause  
13 (I) if the reduction in limits described  
14 in clause (ii) (applied by substituting  
15 '10' for '15') had been in effect for  
16 fiscal year 2001, and updated under  
17 subparagraph (B) for fiscal year  
18 2002.

19 “(III) For fiscal year 2003, such  
20 amount (or amounts) shall be equal to  
21 the amount (or amounts) that would  
22 have been determined under subclause  
23 (I) if the reduction in limits described  
24 in clause (ii) had been in effect for  
25 fiscal year 2001, and updated under

1                   subparagraph (B) for fiscal years  
2                   2002 and 2003.

3                   Each such amount shall be standardized in  
4                   a manner that eliminates the effect of vari-  
5                   ations in relative case mix and wage levels  
6                   among different home health agencies in a  
7                   budget neutral manner consistent with the  
8                   case mix and wage level adjustments pro-  
9                   vided under paragraph (4)(A). Under the  
10                  system, the Secretary may recognize re-  
11                  gional differences or differences based  
12                  upon whether or not the services or agency  
13                  are in an urbanized area.”.

14 **SEC. 302. INCREASE IN PER VISIT LIMIT.**

15           (a) IN GENERAL.—Section 1861(v)(1)(L)(i) (42  
16 U.S.C. 1395x(v)(1)(L)(i)) is amended—

17               (1) in subclause (IV), by striking “or” at the  
18               end;

19               (2) in subclause (V)—

20                   (A) by inserting “and before October 1,  
21                   1999,” after “October 1, 1998,”; and

22                   (B) by striking the period at the end and  
23                   inserting “, or”; and

24               (3) by adding at the end the following:

1           “(VI) October 1, 1999, 112 percent of such me-  
2       dian.”.

3       (b) INCREASE NOT INCLUDED IN PPS BASE.—The  
4       second sentence of section 1895(b)(3)(A)(i) (42 U.S.C.  
5       1395fff(b)(3)(A)(i)), as amended by section 5101(c)(1)(B)  
6       of the Tax and Trade Relief Extension Act of 1998 (con-  
7       tained in division J of Public Law 105–277) and section  
8       301, is amended—

9           (1) in subclause (I), by inserting “and if the  
10       reference in section 1861(v)(1)(L)(i)(VI) to 112 per-  
11       cent were a reference to 106 percent” before the pe-  
12       riod; and

13          (2) in each of subclauses (II) and (III), by in-  
14       serting “and if the reference in section  
15       1861(v)(1)(L)(i)(VI) to 112 percent were a ref-  
16       erence to 106 percent” after “had been in effect for  
17       fiscal year 2001”.

18       (c) EFFECTIVE DATE.—The amendments made by  
19       this section shall apply to services provided on or after  
20       October 1, 1999.

21       **SEC. 303. INCREASE IN PER BENEFICIARY LIMITS.**

22       (a) INCREASE IN PER BENEFICIARY LIMITS.—Sec-  
23       tion 1861(v)(1)(L) of the Social Security Act (42 U.S.C.  
24       1395x(v)(1)(L)), as amended by section 5101 of the Tax

1 and Trade Relief Extension Act of 1998 (contained in Di-  
2 vision J of Public Law 105–277), is amended—

3 (1) by redesignating clause (ix) as clause (x);

4 and

5 (2) by inserting after clause (viii) the following:

6 “(ix) Notwithstanding the applicable per beneficiary  
7 limit under clause (v), (vi), or (viii), for services furnished  
8 by home health agencies for cost reporting periods begin-  
9 ning during fiscal year 2000, the per beneficiary limit ap-  
10 plicable under such clause is the per beneficiary limit oth-  
11 erwise applicable under such clause increased by 1 per-  
12 cent. Such increase shall not affect the determination or  
13 application of the per visit limit under clause (i).”.

14 (b) INCREASE NOT INCLUDED IN PPS BASE.—The  
15 second sentence of section 1895(b)(3)(A)(i) (42 U.S.C.  
16 1395fff(b)(3)(A)(i)), as amended by section 5101(c)(1)(B)  
17 of the Tax and Trade Relief Extension Act of 1998 (con-  
18 tained in division J of Public Law 105–277) and section  
19 302, is amended

20 (1) in subclause (I), by striking “and if the ref-  
21 erence in section 1861(v)(1)(L)(i)(VI) to 112 per-  
22 cent were a reference to 106 percent” and inserting  
23 “, if the reference in section 1861(v)(1)(L)(i)(VI) to  
24 112 percent were a reference to 106 percent, and if

1 section 1861(v)(1)(L)(ix) had not been enacted”;  
2 and

3 (2) in each of subclauses (II) and (III), by  
4 striking “and if the reference in section  
5 1861(v)(1)(L)(i)(VI) to 112 percent were a ref-  
6 erence to 106 percent” and inserting “, if the ref-  
7 erence in section 1861(v)(1)(L)(i)(VI) to 112 per-  
8 cent were a reference to 106 percent, and if section  
9 1861(v)(1)(L)(ix) had not been enacted”.

10 (c) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to services furnished by home  
12 health agencies for cost reporting periods beginning on or  
13 after October 1, 1999.

14 **SEC. 304. ELIMINATION OF 15-MINUTE BILLING REQUIRE-**  
15 **MENT.**

16 (a) IN GENERAL.—Section 1895(c) (42 U.S.C.  
17 1395fff(c)) is amended to read as follows:

18 “(c) REQUIREMENTS FOR PAYMENT INFORMA-  
19 TION.—With respect to home health services furnished on  
20 or after October 1, 1998, no claim for such a service may  
21 be paid under this title unless the claim has the unique  
22 identifier (provided under section 1842(r)) for the physi-  
23 cian who prescribed the services or made the certification  
24 described in section 1814(a)(2) or 1835(a)(2)(A).”.

1 (b) EFFECTIVE DATE.—The amendment made this  
2 section shall apply to claims submitted on or after the date  
3 of enactment of this Act.

4 **SEC. 305. REFINEMENT OF HOME HEALTH AGENCY CON-**  
5 **SOLIDATED BILLING.**

6 (a) IN GENERAL.—Section 1842(b)(6)(F) (42 U.S.C.  
7 1395u(b)(6)(F)) is amended by inserting “(including med-  
8 ical supplies described in section 1861(m)(5), but exclud-  
9 ing durable medical equipment to the extent provided for  
10 in such section)” after “home health services”.

11 (b) CONFORMING AMENDMENT.—Section  
12 1862(a)(21) (42 U.S.C. 1395y(a)(21)) is amended by in-  
13 serting “(including medical supplies described in section  
14 1861(m)(5), but excluding durable medical equipment to  
15 the extent provided for in such section)” after “home  
16 health services”.

17 (c) EFFECTIVE DATE.—The amendments made by  
18 this section shall apply to payments for services provided  
19 on or after the date of enactment of this Act.

1 **SEC. 306. STUDY AND REPORT TO CONGRESS REGARDING**  
2 **THE EXEMPTION OF RURAL AGENCIES AND**  
3 **POPULATIONS FROM INCLUSION IN THE**  
4 **HOME HEALTH PROSPECTIVE PAYMENT SYS-**  
5 **TEM.**

6 (a) **STUDY.**—The Medicare Payment Advisory Com-  
7 mission (referred to in this section as “MedPAC”) shall  
8 conduct a study to determine the feasibility and advisabil-  
9 ity of exempting home health services provided by a home  
10 health agency (or by others under arrangements with such  
11 agency) located in a rural area, or to an individual residing  
12 in a rural area, from payment under the prospective pay-  
13 ment system for such services established by the Secretary  
14 of Health and Human Services in accordance with section  
15 1895 of the Social Security Act (42 U.S.C. 1395fff).

16 (b) **REPORT.**—Not later than 2 years after the date  
17 of enactment of this Act, MedPAC shall submit a report  
18 to Congress on the study conducted under subsection (a),  
19 together with any recommendations for legislation that  
20 MedPAC determines to be appropriate as a result of such  
21 study.

22 **SEC. 307. EXTENSION OF PERIODIC INTERIM PAYMENTS**  
23 **FOR HOME HEALTH AGENCIES.**

24 (a) **IN GENERAL.**—Section 1815(e)(2)(D) of the So-  
25 cial Security Act (42 U.S.C. 1395g(e)(2)(D)) is amended  
26 by inserting “(until the end of the 12-month period follow-

1 ing the date that the prospective payment system for such  
2 services is implemented pursuant to section 1895)” before  
3 the semicolon.

4 (b) CONFORMING AMENDMENT.—Section 4603(b) of  
5 the Balanced Budget Act of 1997 (Public Law 105–33;  
6 111 Stat. 470) is repealed.

7 (c) EFFECTIVE DATE.—The amendments made by  
8 this section shall take effect on the date of enactment of  
9 this Act.

## 10 **Subtitle B—Graduate Medical** 11 **Education**

### 12 **SEC. 321. REVISION OF MULTIYEAR REDUCTION OF INDI-** 13 **RECT GRADUATE MEDICAL EDUCATION PAY-** 14 **MENTS.**

15 (a) IN GENERAL.—Section 1886(d)(5)(B)(ii) (42  
16 U.S.C. 1395ww(d)(5)(B)(ii)) is amended by striking sub-  
17 clauses (III), (IV), and (V) and inserting the following:

18 “(III) during each of fiscal years  
19 1999 through 2003, ‘c’ is equal to 1.6; and

20 “(IV) on or after October 1, 2003, ‘c’  
21 is equal to 1.35.”.

22 (b) EFFECTIVE DATE.—The amendment made by  
23 this section shall take effect on October 1, 1999.

1 **SEC. 322. GME PAYMENTS FOR CERTAIN INTERNS AND**  
2 **RESIDENTS.**

3 (a) **INDIRECT AND DIRECT MEDICAL EDUCATION.**—  
4 Each limitation regarding the number of residents or in-  
5 terns for which payment may be made under section 1886  
6 of the Social Security Act (42 U.S.C. 1395ww) is in-  
7 creased by the number of applicable residents (as defined  
8 in subsection (b)).

9 (b) **APPLICABLE RESIDENT DEFINED.**—For pur-  
10 poses of this section, the term “applicable resident” means  
11 a resident or intern that—

12 (1) participated in graduate medical education  
13 at a facility of the Department of Veterans Affairs;

14 (2) was subsequently transferred on or after  
15 January 1, 1997, and before July 31, 1998, to a  
16 hospital and the hospital was not a Department of  
17 Veterans Affairs facility; and

18 (3) was transferred because the approved medi-  
19 cal residency program in which the resident or in-  
20 tern participated would lose accreditation by the Ac-  
21 creditation Council on Graduate Medical Education  
22 if such program continued to train residents at the  
23 Department of Veterans Affairs facility.

24 (c) **EFFECTIVE DATE.**—

25 (1) **IN GENERAL.**—This section shall take effect  
26 as if included in the enactment of the Balanced

1 Budget Act of 1997 (Public Law 105–33; 111 Stat.  
2 251).

3 (2) RETROACTIVE PAYMENTS.—If the Secretary  
4 of Health and Human Services determines that a  
5 hospital operating an approved medical residency  
6 program is owed payments as a result of enactment  
7 of this section, the Secretary shall make such pay-  
8 ments not later than 60 days after the date of enact-  
9 ment of this section.

## 10 **TITLE IV—RURAL INITIATIVES**

### 11 **SEC. 401. SOLE COMMUNITY HOSPITALS AND MEDICARE**

#### 12 **DEPENDENT HOSPITALS.**

13 (a) IN GENERAL.—Section 1886(b)(3)(B)(iv) (42  
14 U.S.C. 1395ww(b)(3)(B)(iv)) is amended—

15 (1) in subclause (III), by striking “and” at the  
16 end;

17 (2) in subclause (IV)—

18 (A) by striking “fiscal year 1996 and each  
19 subsequent fiscal year” and inserting “fiscal  
20 years 1996 through 1999”; and

21 (B) by striking the period at the end and  
22 inserting “, and”; and

23 (3) by adding at the end the following:

24 “(V) for fiscal year 2000 and each subsequent  
25 fiscal year, the market basket percentage increase.”.

1 (b) EFFECTIVE DATE.—The amendments made by  
2 this section shall take effect on October 1, 1999.

3 **SEC. 402. REVISION OF CRITERIA FOR DESIGNATION AS A**  
4 **CRITICAL ACCESS HOSPITAL.**

5 (a) CRITERIA FOR DESIGNATION.—Section  
6 1820(c)(2)(B)(iii) (42 U.S.C. 1395i–4(c)(2)(B)(iii)) is  
7 amended by striking “to exceed 96 hours” and all that  
8 follows before the semicolon and inserting “to exceed, on  
9 average, 96 hours per patient”.

10 (b) EFFECTIVE DATE.—The amendment made by  
11 this section shall take effect on October 1, 1999.

12 **SEC. 403. MEDICARE WAIVERS FOR HOSPITALS IN RURAL**  
13 **AREAS.**

14 Notwithstanding section 1886(d)(2)(D) of the Social  
15 Security Act (42 U.S.C. 1395ww(d)(2)(D)), by not later  
16 than 180 days after the date of enactment of this Act,  
17 the Secretary of Health and Human Services shall estab-  
18 lish a waiver process in which hospitals under the medi-  
19 care program under title XVIII of the Social Security Act  
20 (42 U.S.C. 1395 et seq.) that are determined by the Office  
21 of Management and Budget to be located in an urban or  
22 large urban area for purposes of reimbursement under the  
23 medicare program may apply to the Secretary to be con-  
24 sidered to be located in a rural area for such purposes  
25 if such hospital is located—

1           (1) in a rural area within a metropolitan coun-  
2           ty, as defined by the most recent update of the Gold-  
3           smith Modification; or

4           (2) in a rural area as determined by using a  
5           census tract definition of a rural area adopted by  
6           the Office of Rural Health Policy in awarding  
7           grants.

8   **SEC. 404. 2-YEAR EXTENSION OF MEDICARE DEPENDENT**  
9                           **HOSPITAL (MDH) PROGRAM.**

10          (a) EXTENSION OF PAYMENT METHODOLOGY.—Sec-  
11          tion 1886(d)(5)(G) (42 U.S.C. 1395ww(d)(5)(G)) is  
12          amended—

13               (1) in clause (i), by striking “and before Octo-  
14               ber 1, 2001,” and inserting “and before October 1,  
15               2003”; and

16               (2) in clause (ii)(II), by striking “and before  
17               October 1, 2001,” and inserting “and before Octo-  
18               ber 1, 2003”.

19          (b) CONFORMING AMENDMENTS.—

20               (1) EXTENSION OF TARGET AMOUNT.—Section  
21               1886(b)(3)(D) (42 U.S.C. 1395ww(b)(3)(D)) is  
22               amended—

23                       (A) in the matter preceding clause (i), by  
24                       striking “and before October 1, 2001,” and in-  
25                       serting “and before October 1, 2003”; and

1 (B) in clause (iv), by striking “during fis-  
2 cal year 1998 through fiscal year 2000” and in-  
3 sserting “during fiscal year 1998 through fiscal  
4 year 2002”.

5 (2) PERMITTING HOSPITALS TO DECLINE RE-  
6 CLASSIFICATION.—Section 13501(e)(2) of Omnibus  
7 Budget Reconciliation Act of 1993 (42 U.S.C.  
8 1395ww note) is amended by striking “or fiscal year  
9 2000” and inserting “or fiscal years 2000 through  
10 2002”.

11 **SEC. 405. ASSISTING RURAL GRADUATE MEDICAL EDU-  
12 CATION RESIDENCY PROGRAMS.**

13 (a) INDIRECT GRADUATE MEDICAL EDUCATION AD-  
14 JUSTMENT.—

15 (1) IN GENERAL.—Section 1886(d)(5)(B)(v) of  
16 the Social Security Act (42 U.S.C.  
17 1395ww(d)(5)(B)(v)) (as added by section 4621(b)  
18 of the Balanced Budget Act of 1997) is amended—

19 (A) by striking “(v) In determining” and  
20 inserting “(v)(I) Subject to subclause (II), in  
21 determining”;

22 (B) by striking “in the hospital with re-  
23 spect to the hospital’s most recent cost report-  
24 ing period ending on or before December 31,  
25 1996”; and inserting “who were appointed by

1 the hospital's approved medical residency train-  
2 ing programs for the hospital's most recent cost  
3 reporting period ending on or before December  
4 31, 1996"; and

5 (C) by adding at the end the following:

6 “(II) Beginning on or after January 1, 1997, in the  
7 case of a hospital that sponsors only 1 allopathic or osteo-  
8 pathic residency program, the limit determined for such  
9 hospital under subclause (I) may, at the hospital's discre-  
10 tion, be increased by 1 for each calendar year but shall  
11 not exceed a total of 3 more than the limit determined  
12 for the hospital under subclause (I).”.

13 (2) TECHNICAL AMENDMENTS.—Section  
14 1886(d)(5)(B) of the Social Security Act (42 U.S.C.  
15 1395ww(d)(5)(B)) is amended by realigning the left  
16 margin of clauses (ii), (v), and (vi) so as to align  
17 with the left margin of clause (i).

18 (b) DIRECT GRADUATE MEDICAL EDUCATION AD-  
19 JUSTMENT.—

20 (1) LIMITATION ON NUMBER OF RESIDENTS.—  
21 Section 1886(h)(4)(F) of the Social Security Act (42  
22 U.S.C. 1395ww(h)(4)(F)) (as added by section 4623  
23 of the Balanced Budget Act of 1997) is amended by  
24 inserting “who were appointed by the hospital's ap-  
25 proved medical residency training programs” after

1 “may not exceed the number of such full-time equiv-  
2 alent residents”.

3 (2) FUNDING FOR NEW PROGRAMS.—The first  
4 sentence of section 1886(h)(4)(H)(i) of the Social  
5 Security Act (42 U.S.C. 1395ww(h)(4)(H)(i)) (as  
6 added by section 4623 of the Balanced Budget Act  
7 of 1997) is amended by inserting “and before Sep-  
8 tember 30, 1999” after “January 1, 1995”.

9 (3) FUNDING FOR PROGRAMS MEETING RURAL  
10 NEEDS.—The second sentence of section  
11 1886(h)(4)(H)(i) of the Social Security Act (42  
12 U.S.C. 1395ww(h)(4)(H)(i)) (as added by section  
13 4623 of the Balanced Budget Act of 1997) is  
14 amended by striking the period at the end and in-  
15 serting “, including facilities that are not located in  
16 an underserved rural area but have established sepa-  
17 rately accredited rural training tracks.”.

18 (c) EFFECTIVE DATE.—The amendments made by  
19 this Act shall take effect as if included in the enactment  
20 of the Balanced Budget Act of 1997.

1 **TITLE V—PROVISIONS RELAT-**  
2 **ING TO PART C**  
3 **(MEDICARE+CHOICE PRO-**  
4 **GRAM)**

5 **Subtitle A—Provisions To Accom-**  
6 **modate and Protect Medicare**  
7 **Beneficiaries**

8 **SEC. 501. PERMITTING ENROLLMENT IN ALTERNATIVE**  
9 **MEDICARE+CHOICE PLANS AND MEDIGAP**  
10 **COVERAGE IN CASE OF INVOLUNTARY TER-**  
11 **MINATION OF MEDICARE+CHOICE ENROLL-**  
12 **MENT.**

13 (a) **MEDICARE+CHOICE PLANS.**—Section 1851(e)(4)  
14 (42 U.S.C. 1395w–21(e)(4)) is amended by striking sub-  
15 paragraph (A) and inserting the following:

16 “(A)(i) the certification of the organization  
17 or plan under this part has been terminated, or  
18 the organization or plan has notified the indi-  
19 vidual of an impending termination of such cer-  
20 tification; or

21 “(ii) the organization has terminated or  
22 otherwise discontinued providing the plan in the  
23 area in which the individual resides, or has no-  
24 tified the individual of an impending termi-  
25 nation or discontinuation of such plan;”.

1 (b) MEDIGAP PLANS.—Section 1882(s)(3)(A) (42  
2 U.S.C. 1395ss(s)(3)(A)) is amended, in the matter follow-  
3 ing clause (iii)—

4 (1) by inserting “(or, if elected by the individ-  
5 ual, the date of notification of the individual by the  
6 plan or organization of the impending termination or  
7 discontinuance of the plan in the area in which the  
8 individual resides)” after “the date of the termi-  
9 nation of enrollment described in such subpara-  
10 graph”; and

11 (2) by inserting “(or the date of such notifica-  
12 tion)” after “the date of termination or  
13 disenrollment”.

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to notices of impending termi-  
16 nations or discontinuances made by group health plans  
17 and Medicare+Choice organizations on or after the date  
18 of enactment of this Act.

19 **SEC. 502. CHANGE IN EFFECTIVE DATE OF ELECTIONS AND**  
20 **CHANGES OF ELECTIONS OF**  
21 **MEDICARE+CHOICE PLANS.**

22 (a) OPEN ENROLLMENT.—Section 1851(f)(2) (42  
23 U.S.C. 1395w-21(f)(2)) is amended—

24 (1) by inserting “or change” before “is made”;  
25 and

1           (2) by inserting “, except that if such election  
2 or change is made after the 10th day of any cal-  
3 endar month, then the election or change shall not  
4 take effect until the first day of the second calendar  
5 month following the date on which the election or  
6 change is made” before the period.

7           (b) **EFFECTIVE DATE.**—The amendments made by  
8 this section shall apply to elections and changes of cov-  
9 erage made on or after the date of enactment of this Act.

10 **SEC. 503. EXTENSION OF REASONABLE COST CONTRACTS.**

11           Section           1876(h)(5)(B)           (42           U.S.C.  
12 1395mm(h)(5)(B)) is amended to read as follows:

13           “(B) The Secretary may not extend or renew a rea-  
14 sonable cost reimbursement contract under this subsection  
15 for any period beyond December 31, 2004, and an individ-  
16 ual may not be enrolled in a plan offered by an organiza-  
17 tion pursuant to such a contract after December 31, 2003,  
18 unless such individual was enrolled in such plan on such  
19 date.”.

20 **SEC. 504. REVISION OF NOTICE BY HOSPITALS REGARDING**  
21                           **COVERAGE OF INPATIENT HOSPITAL SERV-**  
22                           **ICES.**

23           (a) **IN GENERAL.**—Section 1866(a)(1)(M) (42  
24 U.S.C. 1395cc(a)(1)(M)) is amended—

1           (1) in the matter preceding clause (i), by strik-  
2           ing “at or about the time of the individual’s admis-  
3           sion as an inpatient to the hospital” and inserting  
4           “at least 16 but not more than 24 hours before the  
5           hospital proposes to discharge the individual from  
6           the hospital”;

7           (2) in clause (iii)—

8                 (i) by inserting “to the appropriate peer  
9                 review organization” after “hospital services”;  
10                and

11               (ii) by striking “and” at the end;

12           (3) by redesignating clause (iv) as clause (v);  
13           and

14           (4) by inserting the following after clause (iii):

15                “(iv) in the case of an individual enrolled in a  
16                Medicare+Choice plan offered by a  
17                Medicare+Choice organization under part C, such  
18                information, as determined by the Secretary, regard-  
19                ing the individual’s appeal rights that is in addition  
20                to the information described in clause (iii), and”.

21           (b) EFFECTIVE DATE.—The amendments made by  
22           this section shall apply to admissions occurring on or after  
23           the date of enactment of this Act.

1 **SEC. 505. EXTENDED DISENROLLMENT WINDOW FOR CER-**  
2 **TAIN INVOLUNTARILY TERMINATED ENROLL-**  
3 **EES.**

4 (a) **IN GENERAL.**—Section 1882(s)(3)(B) (42 U.S.C.  
5 1395ss(s)(3)(B)) is amended by adding at the end the fol-  
6 lowing flush sentence:  
7 “If any individual is enrolled with any Medicare+Choice  
8 organization under clause (v), or in any Medicare+Choice  
9 plan under clause (vi), and the Medicare+Choice plan in  
10 which the individual is enrolled is terminated or such indi-  
11 vidual is disenrolled from such plan under the cir-  
12 cumstances described in section 1851(e)(4)(A), such indi-  
13 vidual may reenroll for a 12-month period (beginning on  
14 the date of such enrollment) with a Medicare+Choice or-  
15 ganization in a Medicare+Choice plan, and such reenroll-  
16 ment shall be considered an enrollment under clause (v)  
17 or (vi) (as applicable).”.

18 (b) **EFFECTIVE DATE.**—The amendments made by  
19 this section shall apply to terminations or disenrollments  
20 occurring on or after the date of enactment of this Act.

1 **Subtitle B—Provisions To Facili-**  
2 **tate Implementation of the**  
3 **Medicare+Choice Program**

4 **SEC. 521. MODERATION OF MEDICARE+CHOICE RISK AD-**  
5 **JUSTMENT IMPLEMENTATION.**

6 Section 1853(a)(3)(C) (42 U.S.C. 1395w-  
7 23(a)(3)(C)) is amended—

8 (1) by redesignating the first sentence as clause  
9 (i) with the heading “IN GENERAL.—” and appro-  
10 priate indentation; and

11 (2) by adding at the end the following:

12 “(ii) PHASE-IN.—Such risk adjust-  
13 ment methodology shall be implemented in  
14 a phased-in manner so that the new meth-  
15 odology applies only to—

16 “(I) 10 percent of the payment  
17 amount in 2000 and 2001 (in which  
18 the risk adjustment methodology  
19 should reflect only data from inpatient  
20 settings);

21 “(II) 20 percent of such amount  
22 in 2002 (in which such methodology  
23 should reflect only data from inpatient  
24 settings);

1                   “(III) 30 percent of such amount  
2                   in 2003 (in which such methodology  
3                   should reflect only data from inpatient  
4                   settings);

5                   “(IV) 55 percent of such amount  
6                   in 2004 (in which such methodology  
7                   should reflect a blend of 67 percent of  
8                   only data from inpatient settings and  
9                   33 percent of data from inpatient and  
10                  other settings);

11                  “(V) 80 percent of such amount  
12                  in 2005 (in which such methodology  
13                  should reflect a blend of 33 percent of  
14                  only data from inpatient settings and  
15                  67 percent of data from inpatient and  
16                  other settings); and

17                  “(VI) 100 percent of such  
18                  amount in any subsequent year (in  
19                  which such methodology should reflect  
20                  data from inpatient and other set-  
21                  tings).”.

1 **SEC. 522. DELAY IN DEADLINE FOR SUBMISSION OF AD-**  
2 **JUSTED COMMUNITY RATES UNDER**  
3 **MEDICARE+CHOICE PROGRAM AND RELATED**  
4 **MODIFICATIONS.**

5 (a) DELAY IN DEADLINE FOR SUBMISSION OF AD-  
6 JUSTED COMMUNITY RATES.—Section 1854(a)(1) (42  
7 U.S.C. 1395w–24(a)(1)) is amended by striking “May 1”  
8 and inserting “July 1” in the matter preceding subpara-  
9 graph (A).

10 (b) ADJUSTMENT IN INFORMATION DISCLOSURE  
11 PROVISIONS TO CONFORM TO DELAY IN DEADLINE FOR  
12 ACR SUBMISSION.—Section 1851(d)(2)(A)(ii) (42 U.S.C.  
13 1395w–21(d)(2)(A)(ii)) is amended—

14 (1) by inserting after “information described in  
15 paragraph (4) concerning such plans” the following:  
16 “, to the extent such information is available at the  
17 time of preparation of the material for mailing”; and

18 (2) by adding at the end the following: “If any  
19 item described in paragraph (4) is not available at  
20 the time of preparation of the material for mailing,  
21 the Secretary shall provide general information con-  
22 cerning such item.”.

23 (c) MEDICARE+CHOICE ORGANIZATION REQUIRED  
24 TO PROVIDE TERMINATION NOTICE BY DATE FOR ACR  
25 SUBMISSION.—Section 1857(c)(1) (42 U.S.C. 1395w–  
26 27(c)(1)) is amended—

1 (1) by striking “Each contract” and inserting  
2 the following:

3 “(A) IN GENERAL.—Each contract”; and

4 (2) by adding at the end the following:

5 “(B) TERMINATION NOTICE.—If a  
6 Medicare+Choice organization intends to termi-  
7 nate a contract under this section at the end of  
8 the current term of the contract, the organiza-  
9 tion shall notify the Secretary of such intent by  
10 not later than July 1 of such term.”.

11 (d) EFFECTIVE DATES.—

12 (1) ACR AND INFORMATION DISCLOSURE.—The  
13 amendments made by subsections (a) and (b) shall  
14 apply to submissions required to be made on or after  
15 the date of enactment of this Act.

16 (2) TERMINATION NOTICE.—The amendment  
17 made by subsection (c) shall apply to contract years  
18 beginning on or after the date of enactment of this  
19 Act.

20 **SEC. 523. USER FEE FOR MEDICARE+CHOICE ORGANIZA-**  
21 **TIONS BASED ON NUMBER OF ENROLLED**  
22 **BENEFICIARIES.**

23 (a) DETERMINATION.—Section 1857(e)(2) (42  
24 U.S.C. 1395w-27(e)(2)) is amended to read as follows:

1           “(2) COST-SHARING IN ENROLLMENT-RELATED  
2 COSTS.—

3           “(A) IN GENERAL.—A Medicare+Choice  
4 organization shall pay the fee established by the  
5 Secretary under subparagraph (B)(i).

6           “(B) FEES FROM PLANS.—

7           “(i) IN GENERAL.—The Secretary is  
8 authorized to charge a fee to each  
9 Medicare+Choice organization with a con-  
10 tract under this part that is equal to the  
11 organization’s pro rata share (as deter-  
12 mined by the Secretary) of the aggregate  
13 amount of fees which the Secretary is di-  
14 rected to collect in a fiscal year (as deter-  
15 mined under clause (ii)).

16           “(ii) AGGREGATE AMOUNT OF FEES  
17 TO BE COLLECTED.—For purposes of  
18 clause (i), the aggregate amount of fees  
19 which the Secretary is directed to collect in  
20 a fiscal year is an amount equal to the ap-  
21 plicable percentage of the aggregate ex-  
22 penses incurred by the Secretary in carry-  
23 ing out the sections described in clause  
24 (iii)(I) in such year. For purposes of the  
25 preceding sentence, the applicable percent-

1 age in a fiscal year is equal to the ratio  
2 (expressed as a percentage) of—

3 “(I) the total number of individ-  
4 uals enrolled in Medicare+Choice  
5 plans in such year; to

6 “(II) the total number of individ-  
7 uals enrolled in part A or B in such  
8 year.

9 “(iii) FEES COLLECTED.—For any  
10 fiscal year, the fees authorized to be col-  
11 lected under this subparagraph shall be  
12 available to the Secretary—

13 “(I) only for the purpose of car-  
14 rying out section 1851 (relating to en-  
15 rollment and dissemination of infor-  
16 mation) and section 4360 of the Om-  
17 nibus Budget Reconciliation Act of  
18 1990 (relating to the health insurance  
19 counseling and assistance program);  
20 and

21 “(II) without further appropria-  
22 tion.

23 “(C) AMOUNTS FROM PART A TRUST  
24 FUND.—

1                   “(i) IN GENERAL.—Subject to clause  
2                   (ii), amounts in the Federal Hospital In-  
3                   surance Trust Fund shall be available to  
4                   the Secretary in a fiscal year (beginning in  
5                   fiscal year 2000) to cover the expenses as-  
6                   sociated with carrying out the sections de-  
7                   scribed in subparagraph (B)(iii)(I).

8                   “(ii) LIMITATION.—The total amount  
9                   available to the Secretary from the Federal  
10                  Hospital Insurance Trust Fund under  
11                  clause (i) in any fiscal year shall not ex-  
12                  ceed \$100,000,000 minus an amount equal  
13                  to the amount authorized to be collected  
14                  under subparagraph (B)(i) for the fiscal  
15                  year.”.

16               (b) EFFECTIVE DATE.—The amendment made by  
17 this section shall apply to fees charged on or after October  
18 1, 1999.

19 **SEC. 524. CHANGE IN TIME PERIOD FOR EXCLUSION OF**  
20 **MEDICARE+CHOICE ORGANIZATIONS THAT**  
21 **HAVE HAD A CONTRACT TERMINATED.**

22               (a) IN GENERAL.—Section 1857(c)(4) (42 U.S.C.  
23 1395w-27(c)(4)) is amended by striking “5-year period”  
24 and inserting “2-year period”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to contract years beginning on or  
3 after January 1, 1999.

4 **SEC. 525. FLEXIBILITY TO TAILOR BENEFITS UNDER**  
5 **MEDICARE+CHOICE PLANS.**

6 (a) IN GENERAL.—Section 1854 (42 U.S.C. 1395w-  
7 24) is amended—

8 (1) in subsection (a)(1), by inserting “(or seg-  
9 ment of such an area if permitted under subsection  
10 (h))” after “service area” in the matter preceding  
11 subparagraph (A); and

12 (2) by adding at the end the following:

13 “(h) PERMITTING USE OF SEGMENTS OF SERVICE  
14 AREAS.—The Secretary shall permit a Medicare+Choice  
15 organization to elect to apply the provisions of this section  
16 uniformly to separate segments of a service area (rather  
17 than uniformly to an entire service area) as long as such  
18 segments are composed of 1 or more counties.”.

19 (b) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to contract years beginning on or  
21 after January 1, 2000.

22 **SEC. 526. INAPPLICABILITY OF QISMC TO PREFERRED PRO-**  
23 **VIDER ORGANIZATIONS.**

24 (a) IN GENERAL.—A Medicare+Choice plan that is  
25 operating as a preferred provider organization plan shall

1 not be subject to the requirements of the Quality Improve-  
2 ment System for Managed Care (QISMC) established by  
3 the Secretary of Health and Human Services to carry out  
4 section 1852(e) of the Social Security Act (42 U.S.C.  
5 1395w-22(e)) .

6 (b) APPLICATION OF FEE-FOR-SERVICE QUALITY  
7 SYSTEM TO PPOs.—If the Secretary of Health and  
8 Human Services establishes a system that is—

9 (1) applicable to providers under the original  
10 fee-for-service program under parts A and B of title  
11 XVIII of the Social Security Act (42 U.S.C. 1395 et  
12 seq.); and

13 (2) similar to the system described in sub-  
14 section (a);  
15 a Medicare+Choice plan that is operating as a preferred  
16 provider organization plan shall comply with the require-  
17 ments of that system.

18 (c) EFFECTIVE DATE.—This section shall apply to  
19 contract years beginning on or after January 1, 2000.

20 **SEC. 527. TIMING OF MEDICARE+CHOICE HEALTH INFOR-**  
21 **MATION FAIRS.**

22 (a) IN GENERAL.—Section 1851(e)(3) (42 U.S.C.  
23 1395w-21(e)(3)) is amended in subparagraph (C), by  
24 striking “In the month of November” and inserting “Dur-  
25 ing the fall season”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall take effect on the date of enactment of  
3 this Act.

4 **SEC. 528. RULES REGARDING PHYSICIAN REFERRALS FOR**  
5 **MEDICARE+CHOICE PROGRAM.**

6 (a) IN GENERAL.—Section 1877(b)(3) (42 U.S.C.  
7 1395nn(b)(3)) is amended—

8 (1) in subparagraph (C), by striking “or” at  
9 the end;

10 (2) in subparagraph (D), by striking the period  
11 at the end and inserting “, or”; and

12 (3) by adding at the end the following:

13 “(E) that is a Medicare+Choice organiza-  
14 tion under part C that is offering a coordinated  
15 care plan described in section 1851(a)(2)(A) to  
16 an individual enrolled with the organization.”.

17 (b) EFFECTIVE DATE.—The amendment made by  
18 this section shall take effect on the date of enactment of  
19 this Act.

20 **SEC. 529. CLARIFICATION REGARDING THE ABILITY OF A**  
21 **RELIGIOUS FRATERNAL BENEFIT SOCIETY**  
22 **TO OPERATE A MEDICARE+CHOICE PRIVATE**  
23 **FEE-FOR-SERVICE PLAN.**

24 (a) IN GENERAL.—Section 1859(e)(2) (42 U.S.C.  
25 1395w-28(e)(2)) is amended by striking “section

1 1851(a)(2)(A)” and inserting “subparagraphs (A) and (C)  
2 of section 1851(a)(2)”.

3 (b) EFFECTIVE DATE.—The amendment made by  
4 this section shall apply to contract years beginning on or  
5 after the date of enactment of this Act.

6 **Subtitle C—Provisions Regarding**  
7 **Special Medicare Populations**

8 **SEC. 541. EXTENSION OF SOCIAL HEALTH MAINTENANCE**  
9 **ORGANIZATION DEMONSTRATION PROJECT**  
10 **AUTHORITY.**

11 Section 4018(b) of the Omnibus Budget Reconcili-  
12 ation Act of 1987 is amended—

13 (1) in paragraph (1), by striking “December  
14 31, 2000” and inserting “the date that is 1 year  
15 after the date on which the Secretary submits to  
16 Congress the report described in section 4014(e) of  
17 the Balanced Budget Act of 1997”; and

18 (2) in paragraph (4), by striking “March 31,  
19 2001” and inserting “the date that is 1 year after  
20 the date on which Secretary submits to Congress the  
21 report described in section 4014(e) of the Balanced  
22 Budget Act of 1997”.

1 **SEC. 542. INAPPLICABILITY OF OASIS TO PACE.**

2 Sections 1894(e)(3) and 1934(e)(3) (42 U.S.C.  
3 1395eee(e)(3) and 1396u-4(e)(3)) are each amended by  
4 adding at the end the following:

5 “(C) INAPPLICABILITY OF OASIS TO  
6 PACE.—Notwithstanding the previous provisions  
7 of this paragraph, with respect to any home  
8 health service provided under a PACE program  
9 under this section, the Secretary shall not apply  
10 the data collection and reporting requirements  
11 under the Outcome and Assessment Informa-  
12 tion Set (OASIS) to such program or to any  
13 enrollee of such program, regardless of whether  
14 such service is provided by a PACE program di-  
15 rectly or through a contract with a home health  
16 agency.”.

17 **SEC. 543. MEDIGAP PROTECTIONS FOR PACE PROGRAM EN-**  
18 **ROLLEES.**

19 (a) IN GENERAL.—Section 1882(s)(3)(B) (42 U.S.C.  
20 1395ss(s)(3)(B)) is amended—

21 (1) in clause (ii), by inserting “or the individual  
22 is enrolled with a PACE provider under section  
23 1894, and there are circumstances that would per-  
24 mit the discontinuance of the individual’s enrollment  
25 with such provider under circumstances that are  
26 similar to the circumstances that would permit dis-

1       continuation of the individual’s election under the  
2       first sentence of such section if such individual were  
3       enrolled in a Medicare+Choice plan” before the pe-  
4       riod;

5               (2) in clause (v)(II), by inserting “any PACE  
6       provider under section 1894,” after “demonstration  
7       project authority,”; and

8               (3) in clause (vi)—

9                       (A) by inserting “or in a PACE program  
10       under section 1894” after “part C”; and

11                      (B) by striking “such plan” and inserting  
12       “such plan or such program”.

13       (b) EXTENDED DISENROLLMENT WINDOW FOR IN-  
14 VOLUNTARILY TERMINATED ENROLLEES.—Section  
15 1882(s)(3)(B) (42 U.S.C. 1395ss(s)(3)(B)), as amended  
16 by section 505, is amended by adding at the end the fol-  
17 lowing: “If any individual is enrolled with any PACE pro-  
18 vider under clause (v), or in any PACE program under  
19 clause (vi), and the PACE program in which the individual  
20 is enrolled is terminated or such individual is disenrolled  
21 from such program under circumstances that are similar  
22 to the circumstances described in section 1851(e)(4)(A),  
23 such individual may reenroll for a 12-month period (begin-  
24 ning on the date of such enrollment) with a PACE pro-  
25 vider in a PACE program and such reenrollment shall be

1 considered to be an enrollment under clause (v) or (vi)  
2 (as applicable).”.

3 (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to terminations or discontinuances  
5 made on or after the date of enactment of this Act.

6 **SEC. 544. CONTINUATION OF THE FRAIL ELDERLY DEM-**  
7 **ONSTRATION PROJECT.**

8 With respect to the demonstration project (known as  
9 the “EverCare” project) to demonstrate the application of  
10 capitation payment rates for frail elderly medicare bene-  
11 ficiaries under a specialized program that utilizes a spe-  
12 cialized interdisciplinary team, the Secretary of Health  
13 and Human Services shall—

14 (1) extend the project for an additional 2-year  
15 period from the termination date of the project (as  
16 in effect on the date of enactment of this Act); and

17 (2) not apply with respect to a frail elderly  
18 medicare beneficiary who is receiving services under  
19 the demonstration project—

20 (A) during 2000, the risk-adjustment de-  
21 scribed in section 1853(c)(3) of the Social Secu-  
22 rity Act (42 U.S.C. 1395w-23(c)(3)); or

23 (B) during any year in which the dem-  
24 onstration project is in effect, the rules under  
25 subparagraphs (B) and (C) of section

1           1851(e)(2) of such Act (42 U.S.C. 1395w–  
2           21(e)(2)) applicable to open enrollment and  
3           disenrollment opportunities under the  
4           Medicare+Choice program.

5   **Subtitle D—Studies and Reports To**  
6   **Assist in Making Future Im-**  
7   **provements in the Medicare**  
8   **Program**

9   **SEC. 561. GAO STUDIES, AUDITS, AND REPORTS.**

10   (a) STUDY OF MEDIGAP POLICIES.—

11           (1) IN GENERAL.—The Comptroller General of  
12   the United States (in this section referred to as the  
13   “Comptroller General”) shall conduct a study of the  
14   issues described in paragraph (2) regarding medi-  
15   care supplemental policies described in section  
16   1882(g)(1) of the Social Security Act (42 U.S.C.  
17   1395ss(g)(1)).

18           (2) ISSUES TO BE STUDIED.—The issues de-  
19   scribed in this paragraph are the following:

20           (A) The level of coverage provided by each  
21   type of medicare supplemental policy.

22           (B) The current enrollment levels in each  
23   type of medicare supplemental policy.

1 (C) The availability of each type of medi-  
2 care supplemental policy to medicare bene-  
3 ficiaries over age 65<sup>1</sup>/<sub>2</sub>.

4 (D) The number of States that offer each  
5 type of medicare supplemental policy.

6 (E) The average out-of-pocket costs (in-  
7 cluding premiums) per beneficiary under each  
8 type of medicare supplemental policy.

9 (3) REPORT.—Not later than July 31, 2001,  
10 the Comptroller General shall submit a report to  
11 Congress on the results of the study conducted  
12 under this subsection, together with any rec-  
13 ommendations for legislation that the Comptroller  
14 General determines to be appropriate as a result of  
15 such study.

16 (b) GAO AUDIT AND REPORTS ON THE PROVISION  
17 OF MEDICARE+CHOICE HEALTH INFORMATION TO  
18 BENEFICIARIES.—

19 (1) IN GENERAL.—Beginning in 2000, the  
20 Comptroller General shall conduct an annual audit  
21 of the expenditures by the Secretary of Health and  
22 Human Services during the preceding year in pro-  
23 viding information regarding the Medicare+Choice  
24 program under part C of title XVIII of the Social

1 Security Act (42 U.S.C. 1395w–21 et seq.) to eligi-  
2 ble medicare beneficiaries.

3 (3) REPORTS.—Not later than March 31 of  
4 2001, 2004, 2007, and 2010, the Comptroller Gen-  
5 eral shall submit a report to Congress on the results  
6 of the audit of the expenditures of the preceding 3  
7 years conducted pursuant to subsection (a), together  
8 with an evaluation of the effectiveness of the means  
9 used by the Secretary of Health and Human Serv-  
10 ices in providing information regarding the  
11 Medicare+Choice program under part C of title  
12 XVIII of the Social Security Act (42 U.S.C. 1395w–  
13 21 et seq.) to eligible medicare beneficiaries.

14 **SEC. 562. MEDICARE PAYMENT ADVISORY COMMISSION**  
15 **STUDIES AND REPORTS.**

16 (a) RISK ADJUSTMENT.—

17 (1) STUDY.—The Medicare Payment Advisory  
18 Commission established under section 1805 of the  
19 Social Security Act (42 U.S.C. 1395b–6) (in this  
20 section referred to as “MedPAC”) shall conduct a  
21 study that evaluates the methodology used by the  
22 Secretary of Health and Human Services in develop-  
23 ing the risk factors used in adjusting the  
24 Medicare+Choice capitation rate paid to  
25 Medicare+Choice organizations under section 1853

1 of the Social Security Act (42 U.S.C. 1395w-23)  
2 and includes the issues described in paragraph (2).

3 (2) ISSUES TO BE STUDIED.—The issues de-  
4 scribed in this paragraph are the following:

5 (A) The ability of the average risk adjust-  
6 ment factor applied to a Medicare+Choice plan  
7 to explain variations in plans' average per cap-  
8 ita medicare costs, as reported by  
9 Medicare+Choice plans in the plans' adjusted  
10 community rate filings.

11 (B) The year-to-year stability of the risk  
12 factors applied to each Medicare+Choice plan  
13 and the potential for substantial changes in  
14 payment for small Medicare+Choice plans.

15 (C) For medicare beneficiaries newly en-  
16 rolled in Medicare+Choice plans in a given  
17 year, the correspondence between the average  
18 risk factor calculated from medicare fee-for-  
19 service data for those individuals from the pe-  
20 riod prior to their enrollment in a  
21 Medicare+Choice plan and the average risk fac-  
22 tor calculated for such individuals during their  
23 initial year of enrollment in a Medicare+Choice  
24 plan.

1 (D) For medicare beneficiaries disenrolling  
2 from or switching among Medicare+Choice  
3 plans in a given year, the correspondence be-  
4 tween the average risk factor calculated from  
5 data pertaining to the period prior to their  
6 disenrollment from a Medicare+Choice plan  
7 and the average risk factor calculated from  
8 data pertaining to the period after  
9 disenrollment.

10 (E) An evaluation of the exclusion of “dis-  
11 cretionary” hospitalizations from consideration  
12 in the risk adjustment methodology.

13 (F) Suggestions for changes or improve-  
14 ments in the risk adjustment methodology.

15 (3) REPORT.—Not later than December 1,  
16 2000, MedPAC shall submit a report to Congress on  
17 the study conducted under paragraph (1), together  
18 with any recommendations for legislation that  
19 MedPAC determines to be appropriate as a result of  
20 such study.

21 (b) DEVELOPMENT OF SPECIAL PAYMENT RULES  
22 UNDER THE MEDICARE+CHOICE PROGRAM FOR FRAIL  
23 ELDERLY ENROLLED IN SPECIALIZED PROGRAMS.—

24 (1) STUDY.—MedPAC shall conduct a study on  
25 the development of a payment methodology under

1 the Medicare+Choice program for frail elderly  
2 Medicare+Choice beneficiaries enrolled in a  
3 Medicare+Choice plan under a specialized program  
4 for the frail elderly that—

5 (A) accounts for the prevalence, mix, and  
6 severity of chronic conditions among such frail  
7 elderly Medicare+Choice beneficiaries;

8 (B) includes medical diagnostic factors  
9 from all provider settings (including hospital  
10 and nursing facility settings); and

11 (C) includes functional indicators of health  
12 status and such other factors as may be nec-  
13 essary to achieve appropriate payments for  
14 plans serving such beneficiaries.

15 (2) REPORT.—Not later than 1 year after the date  
16 of enactment of this Act, MedPAC shall submit a report  
17 to Congress on the study conducted under paragraph (1),  
18 together with any recommendations for legislation that  
19 MedPAC determines to be appropriate as a result of such  
20 study.

21 **SEC. 563. COMPUTATION AND REPORT ON MEDICARE**  
22 **ORIGINAL FEE-FOR-SERVICE EXPENDITURES**  
23 **ON A COUNTY-BY-COUNTY BASIS.**

24 (a) COMPUTATION.—The Secretary of Health and  
25 Human Services shall compute the expenditures under the

1 original medicare fee-for-service program under parts A  
2 and B of title XVIII of the Social Security Act (42 U.S.C.  
3 1395 et seq.) on a county-by-county basis.

4 (b) REPORT.—Not later than January 1, 2000, and  
5 annually thereafter, the Secretary of Health and Human  
6 Services shall submit a report to Congress on the com-  
7 putation performed under subsection (a), together with  
8 any recommendations for legislation that the Secretary de-  
9 termines to be appropriate as a result of such computa-  
10 tion.

11 **SEC. 564. STUDY AND REPORT ON THE EFFECTS, COSTS,**  
12 **AND FEASIBILITY OF REQUIRING MEDICARE**  
13 **ORIGINAL FEE-FOR-SERVICE ENTITIES AND**  
14 **MEDICARE+CHOICE COORDINATED CARE**  
15 **PLANS TO COMPLY WITH UNIFORM QUALITY**  
16 **STANDARDS AND RELATED REPORTING RE-**  
17 **QUIREMENTS.**

18 (a) STUDY.—The Secretary of Health and Human  
19 Services shall conduct a study on the effects, costs, and  
20 feasibility of—

21 (1) requiring entities, physicians, and other  
22 health care providers that provide items and services  
23 under the original medicare fee-for-service program  
24 under parts A and B of title XVIII of the Social Se-  
25 curity Act (42 U.S.C. 1395 et seq.) to comply with

1 quality standards and related reporting requirements  
2 that are comparable to the quality standards and re-  
3 lated reporting requirements that are applicable to  
4 Medicare+Choice organizations under part C of  
5 such title; and

6 (2) developing specific quality standards for dif-  
7 ferent types of Medicare+Choice coordinated care  
8 plans (as defined in section 1851(a)(2)(A) of the So-  
9 cial Security Act (42 U.S.C. 1395w-21(a)(2)(A))).

10 (b) REPORT.—Not later than March 1, 2000, the  
11 Secretary of Health and Human Services shall submit a  
12 report to Congress on the study conducted under sub-  
13 section (a), together with any recommendations for legisla-  
14 tion that the Secretary determines to be appropriate as  
15 a result of such study.

16 **SEC. 565. STUDY AND REPORT TO CONGRESS REGARDING**  
17 **DATA SUBMISSION USED TO ESTABLISH RISK**  
18 **ADJUSTMENT METHODOLOGY UNDER THE**  
19 **MEDICARE+CHOICE PROGRAM.**

20 (a) STUDY.—The Secretary of Health and Human  
21 Services shall conduct a study on reducing the amount of  
22 data that is required to be submitted by Medicare+Choice  
23 organizations in order for the Secretary to establish a risk  
24 adjustment methodology used in making payments to such  
25 organizations under section 1853 of the Social Security

1 Act (42 U.S.C. 1395w-23) and that includes the issues  
2 described in subsection (b).

3 (b) ISSUES TO BE STUDIED.—The issues described  
4 in this subsection are the following:

5 (1) In consultation with representatives of  
6 Medicare+Choice plans, identification of modifica-  
7 tions of Health Care Financing Administration ad-  
8 ministrative systems that would reduce the costs or  
9 burden on such plans for reporting encounter data  
10 from all sites of service.

11 (2) Evaluation of alternative risk adjustment  
12 methods that would require submission from  
13 Medicare+Choice plans of data only from limited  
14 sites of services.

15 (3) The potential for Medicare+Choice plans to  
16 misreport, overreport, or underreport prevalence of  
17 diagnoses in outpatient sites of care, the potential  
18 for increases in payments to Medicare+Choice plans  
19 from changes in Medicare+Choice plan coding prac-  
20 tices (commonly known as “coding creep”) and pro-  
21 posed methods for detecting and adjusting for such  
22 variations in diagnosis coding as part of the risk ad-  
23 justment methodology using encounter data from all  
24 sites of care.



1           (A) in paragraphs (1) and (3), by striking  
2           “In the case” each place it appears and insert-  
3           ing “Subject to paragraph (4), in the case”;  
4           and

5           (B) by adding at the end the following:

6           “(4) This subsection shall not apply in 2000 and  
7           2001.”.

8           (2) EFFECTIVE DATE.—The amendments made  
9           by paragraph (1) shall apply to expenses incurred on  
10          or after January 1, 2000.

11          (b) REVISION OF REPORT.—

12           (1) IN GENERAL.—Section 4541(d)(2) of the  
13          Balanced Budget Act of 1997 (42 U.S.C. 1395l  
14          note) is amended to read as follows:

15           “(2) REPORT.—By not later than January 1,  
16          2001, the Secretary of Health and Human Services  
17          shall submit to Congress a report that includes rec-  
18          ommendations on—

19           “(A) the establishment of a mechanism for  
20          assuring appropriate utilization of outpatient  
21          physical therapy services, outpatient occupa-  
22          tional therapy services, and speech-language pa-  
23          thology services that are covered under the  
24          medicare program under title XVIII of the So-  
25          cial Security Act (42 U.S.C. 1395); and

1           “(B) the establishment of an alternative  
2           payment policy for such services based on clas-  
3           sification of individuals by diagnostic category,  
4           functional status, prior use of services (in both  
5           inpatient and outpatient settings), and such  
6           other criteria as the Secretary determines ap-  
7           propriate, in place of the uniform dollar limita-  
8           tions specified in section 1833(g) of such Act,  
9           as amended by paragraph (1).

10          The recommendations shall include how such a  
11          mechanism or policy might be implemented in a  
12          budget-neutral manner.”.

13               (2) EFFECTIVE DATE.—The amendment made  
14          by paragraph (1) shall take effect as if included in  
15          the enactment of section 4541 of the Balanced  
16          Budget Act of 1997 (Public Law 105–33; 111 Stat.  
17          454).

18          (c) STUDY AND REPORT ON UTILIZATION.—

19               (1) STUDY.—

20                   (A) IN GENERAL.—The Secretary of  
21          Health and Human Services shall conduct a  
22          study which compares—

23                           (i) utilization patterns (including na-  
24                           tionwide patterns, and patterns by region,  
25                           types of settings, and diagnosis or condi-

1                   tion) of outpatient physical therapy serv-  
2                   ices, outpatient occupational therapy serv-  
3                   ices, and speech-language pathology serv-  
4                   ices that are covered under the medicare  
5                   program under title XVIII of the Social  
6                   Security Act (42 U.S.C. 1395) and pro-  
7                   vided on or after January 1, 2000; with  
8                   (ii) such patterns for such services  
9                   that were provided in 1998 and 1999.

10                  (B) REVIEW OF CLAIMS.—In conducting  
11                  the study under this subsection the Secretary of  
12                  Health and Human Services shall review a sta-  
13                  tistically significant number of claims for reim-  
14                  bursement for the services described in sub-  
15                  paragraph (A).

16                  (2) REPORT.—Not later than March 31, 2001,  
17                  the Secretary of Health and Human Services shall  
18                  submit a report to Congress on the study conducted  
19                  under paragraph (1), together with any rec-  
20                  ommendations for legislation that the Secretary de-  
21                  termines to be appropriate as a result of such study.

1 **SEC. 602. INCREASE IN PAYMENT AMOUNT FOR RENAL DI-**  
2 **ALYSIS SERVICES FURNISHED UNDER THE**  
3 **MEDICARE PROGRAM.**

4 (a) IN GENERAL.—Section 1881(b)(7) (42 U.S.C.  
5 1395rr(b)(7)) is amended by adding at the end the follow-  
6 ing flush sentence:  
7 “The amount of each composite rate payment for dialysis  
8 services furnished on or after October 1, 2000, shall be  
9 equal to 102 percent of each such composite rate payment  
10 amount for such services furnished on December 31,  
11 1999.”.

12 (b) CONFORMING AMENDMENT.—

13 (1) IN GENERAL.—Section 9335(a) of the Om-  
14 nibus Budget Reconciliation Act of 1986 (42 U.S.C.  
15 1395rr note) is amended by striking paragraph (1).

16 (2) EFFECTIVE DATE.—The amendment made  
17 by paragraph (1) shall take effect on October 1,  
18 2000.

19 **SEC. 603. INCREASE IN PAYMENT AMOUNT FOR PAP SMEAR**  
20 **LABORATORY TESTS.**

21 (a) PAP SMEAR PAYMENT INCREASE.—Section  
22 1833(h) (42 U.S.C. 1395l(h)) is amended by adding at  
23 the end the following:

24 “(7) Notwithstanding paragraphs (1) and (4), the  
25 Secretary shall establish a minimum payment amount  
26 under this subsection for all areas for a diagnostic or

1 screening pap smear laboratory test (including all cervical  
2 cancer screening technologies that have been approved by  
3 the Food and Drug Administration) of not less than  
4 \$14.60.”.

5 (b) EFFECTIVE DATE.—The amendment made by  
6 this subsection shall apply with respect to laboratory tests  
7 furnished on or after January 1, 2000 and before January  
8 1, 2002.

9 **SEC. 604. LIMITATION IN REDUCTION OF PAYMENTS TO**  
10 **DISPROPORTIONATE SHARE HOSPITALS.**

11 (a) IN GENERAL.—Section 1886(d)(5)(F)(ix) (42  
12 U.S.C. 1395ww(d)(5)(F)(ix)) is amended—

13 (1) in subclause (III), by striking “fiscal year  
14 2000” and inserting “fiscal years 2000 and 2001”;

15 (2) by striking subclauses (IV); and

16 (3) by redesignating subclauses (V) and (VI) as  
17 subclauses (IV) and (V), respectively.

18 (b) EFFECTIVE DATE.—The amendments made by  
19 this section shall take effect as if included in the amend-  
20 ments made by section 4403 of the Balanced Budget Act  
21 of 1997 (Public Law 105–33; 111 Stat. 398).

22 **SEC. 605. CLARIFICATION OF THE INHERENT REASONABLE-**  
23 **NESS (IR) AUTHORITY.**

24 The Secretary of Health and Human Services may  
25 not use, or permit fiscal intermediaries or carriers to use,

1 the inherent reasonableness authority under part B of title  
2 XVIII of such Act until the date that is 90 days after  
3 the date that the Comptroller General of the United States  
4 releases a report regarding the impact of the Secretary's,  
5 fiscal intermediaries', and carriers' use of such authority.

6 **SEC. 606. TECHNICAL AMENDMENTS RELATING TO BBA**  
7 **PROVISIONS.**

8 (a) **MEDICARE RURAL HOSPITAL FLEXIBILITY PRO-**  
9 **GRAM.**—Section 1820(c)(2)(B)(i) (42 U.S.C. 1395i–  
10 4(c)(2)(B)(i)) is amended by striking “and is located in  
11 a county (or equivalent unit of local government) in a  
12 rural area (as defined in section 1886(d)(2)(D))” and in-  
13 serting “that is located in a rural area (as defined in sec-  
14 tion 1886(d)(2)(D)) and”.

15 (b) **RURAL HEALTH CLINIC SERVICES.**—Section  
16 4205(a)(1)(B) of the Balanced Budget Act of 1997 (42  
17 U.S.C. 1395l note) is amended by striking “services fur-  
18 nished” and inserting “cost reporting periods beginning”.

19 (c) **PPS HOSPITAL PAYMENT UPDATE.**—Section  
20 4401(b)(1)(B) of the Balanced Budget Act of 1997 (42  
21 U.S.C. 1395ww note) is amended by striking “section  
22 1886(b)(3)(B)(i)(XIII) of the Social Security Act (42  
23 U.S.C. 1395ww(b)(3)(B)(i)(XIII))” and inserting “section  
24 1886(b)(3)(B)(i)(XIV) of the Social Security Act (42  
25 U.S.C. 1395ww(b)(3)(B)(i)(XIV))”.

1 (d) MAINTAINING SAVINGS FROM TEMPORARY RE-  
2 DUCTION IN CAPITAL PAYMENTS FOR PPS HOSPITALS.—  
3 The last sentence of section 1886(g)(1)(A) (42 U.S.C.  
4 1395ww(g)(1)(A)) is amended by striking “September 30,  
5 2002” and inserting “October 1, 2002”.

6 (e) PROSPECTIVE PAYMENT FOR SKILLED NURSING  
7 FACILITY SERVICES.—Section 1888(e)(8)(B) (42 U.S.C.  
8 1395yy(e)(8)(B)) is amended by striking “January 1,  
9 1999,” and inserting “July 1, 1999”.

10 (f) TRANSFER OF CRIMINAL FINES RECOVERED AS  
11 A RESULT OF A FEDERAL HEALTH CARE OFFENSE TO  
12 FEDERAL HOSPITAL INSURANCE TRUST FUND.—

13 (1) IN GENERAL.—Section 1817(k)(2)(C)(i) (42  
14 U.S.C. 1395i(k)(2)(C)(i)) is amended by striking  
15 “section 982(a)(6)(B)” and inserting “section  
16 24(a)”.

17 (2) EFFECTIVE DATE.—The amendment made  
18 by this subsection shall take effect as if included in  
19 the amendment made by section 201 of the Health  
20 Insurance Portability and Accountability Act of  
21 1996 (Public Law 104–191; 110 Stat. 1992).

22 (g) MEDICARE PAYMENTS TO NEWLY ESTABLISHED  
23 PPS EXEMPT PROVIDERS.—Section 1886(b)(7)(A)(i)(II)  
24 (42 U.S.C. 1395ww(b)(7)(A)(i)(II)) is amended by insert-  
25 ing “(as estimated by the Secretary)” after “median”.

1 (h) OTHER TECHNICAL AMENDMENTS.—

2 (1) Section 1812(b) (42 U.S.C. 1395d(b)) is  
3 amended in the matter following paragraph (3) by  
4 inserting “during” after “100 visits”.

5 (2) Section 1833(a)(1)(O) (42 U.S.C.  
6 1395l(a)(1)(O)) is amended by striking the semi-  
7 colon and inserting a comma.

8 (3) Section 1834(h)(4)(A) (42 U.S.C.  
9 1395m(h)(4)(A)) is amended—

10 (A) in clause (i), by striking the comma at  
11 the end and inserting a semicolon; and

12 (B) in clause (v), by striking “, and” and  
13 inserting “; and”.

14 (4) Section 1842(s)(2)(E) (42 U.S.C.  
15 1395u(s)(2)(E)) is amended by inserting a period at  
16 the end.

17 (5) Section 1848(j)(3) (42 U.S.C. 1395w-  
18 4(j)(3)) is amended—

19 (A) by striking “1861(oo)(2),” and insert-  
20 ing “1861(oo)(2)”;

21 (B) by striking “(B) ,” and inserting  
22 “(B),”; and

23 (C) by striking “and (15)” and inserting “,  
24 and (15)”.

1           (6) Section 1851(i)(2) (42 U.S.C. 1395w-  
2           21(i)(2)) is amended by striking “and” after  
3           “1857(f)(2),”.

4           (7) Section 1852 (42 U.S.C. 1395w-22) is  
5           amended—

6           (A) in subsection (a)(3)(A)—

7           (i) by striking the comma after “MSA  
8           plan”; and

9           (ii) by inserting a comma after “the  
10           coverage”;

11          (B) in subsection (g)—

12          (i) in paragraph (1)(B), by inserting  
13          “or” after “in whole”; and

14          (ii) in paragraph (3)(B)(ii), by insert-  
15          ing a period at the end;

16          (C) in subsection (h)(2), by striking the  
17          comma and inserting a semicolon; and

18          (D) in subsection (k)(2)(C)(ii), by striking  
19          “balancing” and inserting “balance”.

20          (8) Section 1854(a) (42 U.S.C. 1395w-24(a))  
21          is amended—

22          (A) in paragraph (2)—

23          (i) in subparagraph (A), in the matter  
24          preceding clause (i), by inserting “section”  
25          before “1852(a)(1)(A)”; and

1 (ii) in subparagraph (B), in the mat-  
2 ter preceding clause (i), by inserting “sec-  
3 tion” after “described in”;

4 (B) in paragraph (3)—

5 (i) in subparagraph (A), by inserting  
6 “section” after “described in”; and

7 (ii) in subparagraph (B), by inserting  
8 “section” after “described in”; and

9 (C) in paragraph (4)—

10 (i) in the matter preceding subpara-  
11 graph (A), by inserting “section” after  
12 “described in”;

13 (ii) in subparagraph (A), in the mat-  
14 ter preceding clause (i), by inserting “sec-  
15 tion” after “described in”; and

16 (iii) in subparagraph (B), by inserting  
17 “section” after “described in”.

18 (9) Section 1861 (42 U.S.C. 1395x) is amend-  
19 ed—

20 (A) in subsection (s)(2)(T)(ii), by striking  
21 the period and inserting a semicolon;

22 (B) in subsection (aa)(2)—

23 (i) in subparagraph (I), by striking  
24 the comma at the end and inserting a  
25 semicolon; and

1 (ii) by realigning subparagraph (I) so  
2 as to align the left margin of such sub-  
3 paragraph with the left margin of subpara-  
4 graph (H); and

5 (C) in subsection (ss)(1)(G)(i)—

6 (i) by striking “owed” and inserting  
7 “owned”; and

8 (ii) by striking “of” and inserting  
9 “or”.

10 (10) Section 1862(a)(7) (42 U.S.C.  
11 1395y(a)(7)) is amended by striking “subpara-  
12 graphs” and inserting “subparagraph”.

13 (11) Section 1866(a)(1) (42 U.S.C.  
14 1395cc(a)(1)) is amended—

15 (A) in subparagraph (I)(iii), by striking  
16 the semicolon and inserting a comma;

17 (B) in subparagraph (N)(iv), by striking  
18 “and” at the end;

19 (C) in subparagraph (O), by striking the  
20 semicolon at the end and inserting a comma;

21 (D) in subparagraph (Q), by striking the  
22 semicolon at the end and inserting a comma;  
23 and

24 (E) in subparagraph (R), by inserting “,  
25 and” at the end.

1           (12) Section 1882 (42 U.S.C. 1395ss) is  
2 amended—

3           (A) in subsection (g)(1), by striking “or”  
4 after “does not include”; and

5           (B) in subsection (s)(2)(D), in the matter  
6 preceding clause (i), by inserting “section”  
7 after “as defined in”.

8           (13) Section 1886 (42 U.S.C. 1395ww) is  
9 amended—

10           (A) in subsection (b)—

11           (i) in paragraph (1), in the matter fol-  
12 lowing subparagraph (C), by inserting a  
13 comma after “paragraph (2)”; and

14           (ii) in paragraph (3)(B)(ii)—

15           (I) in subclause (VI) is amended  
16 by striking the semicolon and insert-  
17 ing a comma; and

18           (II) in subclause (VII) is amend-  
19 ed by striking the semicolon and in-  
20 serting a comma; and

21           (B) in subsection (d)—

22           (i) in paragraph (5)(F), by inserting a  
23 comma after “1986”; and

24           (ii) in paragraph (9)(A)(ii), by insert-  
25 ing a comma after “1987”.

1           (14) Section 1888(e)(4)(E) (42 U.S.C.  
2 1395yy(e)(4)(E)) is amended—

3           (A) in clause (i) by striking “federal” and  
4 inserting “Federal”; and

5           (B) in clause (ii), in the matter preceding  
6 subclause (I), by striking “federal” each place  
7 it appears and inserting “Federal”.

8           (15) Section 1895(b)(1) (42 U.S.C.  
9 1395fff(b)(1)) is amended by striking “the this sec-  
10 tion” and inserting “this section”.

11       (i) EFFECTIVE DATE.—Except as otherwise pro-  
12 vided, the amendments made by this section shall take ef-  
13 fect as if included in the enactment of the Balanced Budg-  
14 et Act of 1997 (Public Law 105–33; 111 Stat. 251).

15 **SEC. 607. EXCLUSION FROM PAYGO SCORECARD.**

16       Any net deficit increase resulting from the enactment  
17 of this Act shall not be counted for purposes of section  
18 252 of the Balanced Budget and Emergency Deficit Con-  
19 trol Act of 1985 (2 U.S.C. 902).

20 **TITLE VII—PROVISIONS RELAT-**  
21 **ING TO MEDICAID AND SCHIP**

22 **SEC. 701. MEDICAID-RELATED BBA TECHNICALS.**

23       (a) CROSS-REFERENCE CORRECTIONS.—

1           (1) Section 1902(a)(10)(A)(ii)(XIV) (42 U.S.C.  
2 1396a(a)(10)(A)(ii)(XIV)) is amended by striking  
3 “1905(u)(2)(C)” and inserting “1905(u)(2)(B)”.

4           (2) Section 1903(f)(4) (42 U.S.C. 1396b(f)(4))  
5 is amended, in the matter preceding subparagraph  
6 (A), by striking “1905(p)(1), or 1905(u)” and in-  
7 serting “1902(a)(10)(A)(ii)(XIII),  
8 1902(a)(10)(A)(ii)(XIV), or 1905(p)(1)”.

9           (3) Section 1905(a)(15) (42 U.S.C.  
10 1396d(a)(15)) is amended by striking  
11 “1902(a)(31)(A)” and inserting “1902(a)(31)”.

12           (4) The amendments made by this subsection  
13 shall take effect as if included in the enactment of  
14 the Balanced Budget Act of 1997 (Public Law 105–  
15 33; 111 Stat. 251).

16           (b) ELIMINATION OF DUPLICATIVE REQUIREMENTS  
17 FOR EXTERNAL QUALITY REVIEW OF MEDICAID MAN-  
18 AGED CARE ORGANIZATIONS.—

19           (1) Section 1902(a)(30) (42 U.S.C.  
20 1396a(a)(30)) is amended—

21                   (A) in subparagraph (A), by adding “and”  
22 at the end;

23                   (B) in subparagraph (B)(ii), by striking  
24 “and” at the end; and

25                   (C) by striking subparagraph (C).

1           (2) Section 1902(d) (42 U.S.C. 1396a(d)) is  
2 amended—

3           (A) by striking “an entity which meets the  
4 requirements of section 1152, as determined by  
5 the Secretary, for the performance of the qual-  
6 ity review functions described in subsection  
7 (a)(30)(C), or”;

8           (B) by striking “(including quality review  
9 functions described in subsection (a)(30)(C))”;  
10 and

11           (C) by striking “entity or” each place it  
12 appears.

13           (3) Section 1903 (42 U.S.C. 1396b) is amend-  
14 ed—

15           (A) in subsection (a)(3)(C)(i)—

16           (i) by striking “or quality review”;

17           and

18           (ii) by striking “or by an entity which  
19 meets the requirements of section 1152, as  
20 determined by the Secretary,”; and

21           (B) in subsection (m)(6)(B)—

22           (i) in clause (ii), by adding “and” at  
23 the end;

24           (ii) in clause (iii), by striking “; and”  
25 and inserting a period; and

1 (iii) by striking clause (iv).

2 (4) The amendments made by this subsection  
3 apply as of such date as the Secretary of Health and  
4 Human Services certifies to Congress that it is fully  
5 implementing section 1932(c)(2) of the Social Secu-  
6 rity Act (42 U.S.C. 1396u-2(c)(2)).

7 (c) MAKING ENHANCED MATCH UNDER SCHIP  
8 PROGRAM INAPPLICABLE TO MEDICAID DSH PAY-  
9 MENTS.—

10 (1) The last sentence of section 1905(b) (42  
11 U.S.C. 1396d(b)) is amended by inserting “(other  
12 than expenditures under section 1923)” after “with  
13 respect to expenditures”.

14 (2) The amendment made by paragraph (1)  
15 takes effect on October 1, 1999, and applies to ex-  
16 penditures made on or after such date.

17 (d) MAKING DEFERMENT OF THE EFFECTIVE DATE  
18 FOR OUTPATIENT DRUG AGREEMENTS OPTIONAL FOR  
19 STATES.—

20 (1) Section 1927(a)(1) (42 U.S.C. 1396r-  
21 8(a)(1)) is amended by striking “shall not be effec-  
22 tive until” and inserting “shall become effective as  
23 of the date on which the agreement is entered into  
24 or, at State option, on any date thereafter on or be-  
25 fore”.

1           (2) The amendment made by paragraph (1) ap-  
2           plies to agreements entered into on or after the date  
3           of enactment of this Act.

4 **SEC. 702. INCREASE IN DISPROPORTIONATE SHARE HOS-**  
5 **PITAL ALLOTMENT FOR CERTAIN STATES**  
6 **AND THE DISTRICT OF COLUMBIA.**

7           (a) IN GENERAL.—The table included in section  
8 1923(f)(2) (42 U.S.C. 1396r-4(f)(2)) is amended under  
9 each of the columns for FY 00, FY 01, and FY 02—

10           (1) at the line for the District of Columbia, by  
11           striking “23” and inserting “32”;

12           (2) at the line for Minnesota, by striking “16”  
13           and inserting “33”;

14           (3) at the line for New Mexico, by striking “5”  
15           and inserting “9”; and

16           (4) at the line for Wyoming, by striking “0”  
17           and inserting “.100”.

18           (b) EFFECTIVE DATE.—The amendments made by  
19 this section shall take effect on October 1, 1999, and ap-  
20 plies to expenditures made on or after such date.

21 **SEC. 703. MAKING MEDICAID DSH TRANSITION RULE PER-**  
22 **MANENT.**

23           (a) IN GENERAL.—Section 4721(e) of the Balanced  
24 Budget Act of 1997 (42 U.S.C. 1396r-4 note) is amend-  
25 ed—

1 (1) in the matter before paragraph (1), by  
2 striking “1923(g)(2)(A)” and “1396r-4(g)(2)(A)”  
3 and inserting “1923(g)(2)” and “1396r-4(g)(2)”,  
4 respectively;

5 (2) in paragraphs (1) and (2)—

6 (A) by striking “, and before July 1,  
7 1999”; and

8 (B) by striking “in such section” and in-  
9 serting “in subparagraph (A) of such section”;  
10 and

11 (3) by striking “and” at the end of paragraph  
12 (1), by striking the period at the end of paragraph  
13 (2) and inserting “; and”, and by adding at the end  
14 the following:

15 “(3) effective for State fiscal years that begin  
16 on or after July 1, 1999, ‘or (b)(1)(B)’ were in-  
17 serted in section 1923(g)(2)(B)(ii)(I) after  
18 ‘(b)(1)(A)’.”.

19 (b) EFFECTIVE DATE.—The amendments made by  
20 this section shall take effect as if included in the enact-  
21 ment of section 4721(e) of the Balanced Budget Act of  
22 1997 (Public Law 105–33; 110 Stat. 514).

1 **SEC. 704. INCREASED ALLOTMENTS FOR TERRITORIES**  
2 **UNDER THE STATE CHILDREN'S HEALTH IN-**  
3 **SURANCE PROGRAM.**

4 Section 2104(e)(4)(B) (42 U.S.C. 1397dd(e)(4)(B))  
5 is amended by inserting “, \$34,200,000 for each of fiscal  
6 years 2000 and 2001, \$25,200,000 for each of fiscal years  
7 2002 through 2004, \$32,400,000 for each of fiscal years  
8 2005 and 2006, and \$40,000,000 for fiscal year 2007”  
9 before the period.

10 **SEC. 705. REMOVAL OF FISCAL YEAR LIMITATION ON CER-**  
11 **TAIN TRANSITIONAL ADMINISTRATIVE COSTS**  
12 **ASSISTANCE.**

13 (a) IN GENERAL.—Section 1931(h) (42 U.S.C.  
14 1396u–1(h)) is amended—

15 (1) in paragraph (3), by striking “and ending  
16 with fiscal year 2000”; and

17 (2) by striking paragraph (4).

18 (b) EFFECTIVE DATE.—The amendments made by  
19 this section shall take effect as if included in the enact-  
20 ment of section 114 of the Personal Responsibility and  
21 Work Opportunity Reconciliation Act of 1996 (Public Law  
22 104–193; 110 Stat. 2177).

23 **SEC. 706. STABILIZING THE SCHIP ALLOTMENT FORMULA.**

24 (a) IN GENERAL.—Section 2104(b) (42 U.S.C.  
25 1397dd(b)) is amended—

26 (1) in paragraph (2)(A)—

1 (A) in clause (i), by striking “through  
2 2000” and inserting “and 1999”; and

3 (B) in clause (ii), by striking “2001” and  
4 inserting “2000”;

5 (2) by amending paragraph (4) to read as fol-  
6 lows:

7 “(4) FLOORS AND CEILINGS IN STATE ALLOT-  
8 MENTS.—

9 “(A) IN GENERAL.—The proportion of the  
10 allotment under this subsection for a subsection  
11 (b) State (as defined in subparagraph (D)) for  
12 fiscal year 2000 and each fiscal year thereafter  
13 shall be subject to the following floors and ceil-  
14 ings:

15 “(i) FLOOR OF \$2,000,000.—A floor  
16 equal to \$2,000,000 divided by the total of  
17 the amount available under this subsection  
18 for all such allotments for the fiscal year.

19 “(ii) ANNUAL FLOOR OF 10 PERCENT  
20 BELOW PRECEDING FISCAL YEAR’S PRO-  
21 PORTION.—A floor of 90 percent of the  
22 proportion for the State for the preceding  
23 fiscal year.

24 “(iii) CUMULATIVE FLOOR OF 30 PER-  
25 CENT BELOW THE FY 1999 PROPORTION.—

1 A floor of 70 percent of the proportion for  
2 the State for fiscal year 1999.

3 “(iv) CUMULATIVE CEILING OF 45  
4 PERCENT ABOVE FY 1999 PROPORTION.—A  
5 ceiling of 145 percent of the proportion for  
6 the State for fiscal year 1999.

7 “(B) RECONCILIATION.—

8 “(i) ELIMINATION OF ANY DEFICIT BY  
9 ESTABLISHING A PERCENTAGE INCREASE  
10 CEILING FOR STATES WITH HIGHEST AN-  
11 NUAL PERCENTAGE INCREASES.—To the  
12 extent that the application of subpara-  
13 graph (A) would result in the sum of the  
14 proportions of the allotments for all sub-  
15 section (b) States exceeding 1.0, the Sec-  
16 retary shall establish a maximum percent-  
17 age increase in such proportions for all  
18 subsection (b) States for the fiscal year in  
19 a manner so that such sum equals 1.0.

20 “(ii) ALLOCATION OF SURPLUS  
21 THROUGH PRO RATA INCREASE.—To the  
22 extent that the application of subpara-  
23 graph (A) would result in the sum of the  
24 proportions of the allotments for all sub-  
25 section (b) States being less than 1.0, the

1 proportions of such allotments (as com-  
2 puted before the application of floors under  
3 clauses (i), (ii), and (iii) of subparagraph  
4 (A)) for all subsection (b) States shall be  
5 increased in a pro rata manner (but not to  
6 exceed the ceiling established under sub-  
7 paragraph (A)(iv)) so that (after the appli-  
8 cation of such floors and ceiling) such sum  
9 equals 1.0.

10 “(C) CONSTRUCTION.—This paragraph  
11 shall not be construed as applying to (or taking  
12 into account) amounts of allotments redistrib-  
13 uted under subsection (f).

14 “(D) DEFINITIONS.—In this paragraph:

15 “(i) PROPORTION OF ALLOTMENT.—  
16 The term ‘proportion’ means, with respect  
17 to the allotment of a subsection (b) State  
18 for a fiscal year, the amount of the allot-  
19 ment of such State under this subsection  
20 for the fiscal year divided by the total of  
21 the amount available under this subsection  
22 for all such allotments for the fiscal year.

23 “(ii) SUBSECTION (b) STATE.—The  
24 term ‘subsection (b) State’ means one of

1                   the 50 States or the District of Colum-  
2                   bia.”;

3                   (3) in paragraph (2)(B), by striking “the fiscal  
4                   year” and inserting “the calendar year in which  
5                   such fiscal year begins”; and

6                   (4) in paragraph (3)(B), by striking “the fiscal  
7                   year involved” and inserting “the calendar year in  
8                   which such fiscal year begins”.

9                   (b) EFFECTIVE DATE.—The amendments made by  
10                  this section apply to allotments determined under title  
11                  XXI of the Social Security Act (42 U.S.C. 1397aa et seq.)  
12                  for fiscal year 2000 and each fiscal year thereafter.

13                  **SEC. 707. IMPROVED DATA COLLECTION AND EVALUA-**  
14                  **TIONS OF THE SCHIP PROGRAM.**

15                  (a) FUNDING FOR RELIABLE ANNUAL STATE-BY-  
16                  STATE ESTIMATES ON THE NUMBER OF CHILDREN WHO  
17                  DO NOT HAVE HEALTH INSURANCE COVERAGE.—Section  
18                  2108 (42 U.S.C. 1397hh) is amended by adding at the  
19                  end the following:

20                  “(c) ADJUSTMENT TO CURRENT POPULATION SUR-  
21                  VEY TO INCLUDE STATE-BY-STATE DATA RELATING TO  
22                  CHILDREN WITHOUT HEALTH INSURANCE COVERAGE.—

23                  “(1) IN GENERAL.—The Secretary of Com-  
24                  merce shall make appropriate adjustments to the an-  
25                  nual Current Population Survey conducted by the

1 Bureau of the Census in order to produce statis-  
2 tically reliable annual State data on the number of  
3 low-income children who do not have health insur-  
4 ance coverage, so that real changes in the  
5 uninsurance rates of children can reasonably be de-  
6 tected. The Current Population Survey should  
7 produce data under this subsection that categorizes  
8 such children by family income, age, and race or eth-  
9 nicity. The adjustments made to produce such data  
10 shall include, where appropriate, expanding the sam-  
11 ple size used in the State sampling units, expanding  
12 the number of sampling units in a State, and an ap-  
13 propriate verification element.

14 “(2) APPROPRIATION.—Out of any money in  
15 the Treasury of the United States not otherwise ap-  
16 propriated, there are appropriated \$10,000,000 for  
17 fiscal year 2000 and each fiscal year thereafter for  
18 the purpose of carrying out this subsection.”.

19 (b) FUNDING FOR CHILDREN’S HEALTH CARE AC-  
20 CESS AND UTILIZATION STATE-BY-STATE DATA.—Section  
21 2108 (42 U.S.C. 1397hh), as amended by subsection (a),  
22 is amended by adding at the end the following:

23 “(d) COLLECTION OF CHILDREN’S HEALTH CARE  
24 ACCESS AND UTILIZATION STATE-LEVEL DATA.—

1           “(1) IN GENERAL.—The Secretary, acting  
2 through the National Center for Health Statistics  
3 (in this subsection referred to as the ‘Center’), shall  
4 collect data on children’s health insurance through  
5 the State and Local Area Integrated Telephone Sur-  
6 vey (SLAITS) for the 50 States and the District of  
7 Columbia. Sufficient data shall be collected so as to  
8 provide reliable, annual, State-by-State information  
9 on the health care access and utilization of children  
10 in low-income households, and to allow for compari-  
11 sons between demographic subgroups categorized  
12 with respect to family income, age, and race or eth-  
13 nicity.

14           “(2) SURVEY DESIGN AND CONTENT.—

15           “(A) IN GENERAL.—In carrying out para-  
16 graph (1), the Secretary, acting through the  
17 Center—

18                   “(i) shall obtain input from appro-  
19 priate sources, including States, in design-  
20 ing the survey and making content deci-  
21 sions; and

22                   “(ii) at the request of a State, may  
23 collect additional data to assist with a  
24 State’s evaluation of the program estab-  
25 lished under this title.

1                   “(B) REIMBURSEMENT OF COSTS OF ADDI-  
2                   TIONAL DATA.—A State shall reimburse the  
3                   Center for services provided under subpara-  
4                   graph (A)(ii).

5                   “(3) APPROPRIATION.—Out of any money in  
6                   the Treasury of the United States not otherwise ap-  
7                   propriated, there are appropriated \$9,000,000 for  
8                   fiscal year 2000 and each fiscal year thereafter for  
9                   the purpose of carrying out this subsection.”.

10                  (c) FEDERAL EVALUATION OF STATE CHILDREN’S  
11 HEALTH INSURANCE PROGRAMS.—Section 2108 (42  
12 U.S.C. 1397hh), as amended by subsections (a) and (b),  
13 is amended—

14                   (1) by redesignating subsections (c) and (d) as  
15                   subsection (d) and (e), respectively; and

16                   (2) by inserting after subsection (b) the follow-  
17                   ing:

18                   “(c) FEDERAL EVALUATION.—

19                   “(1) IN GENERAL.—The Secretary, directly or  
20                   through contracts or interagency agreements, shall  
21                   conduct an independent evaluation of 10 States with  
22                   approved child health plans.

23                   “(2) SELECTION OF STATES.—In selecting  
24                   States for the evaluation conducted under this sub-  
25                   section, the Secretary shall choose 10 States that

1       utilize diverse approaches to providing child health  
2       assistance, represent various geographic areas (in-  
3       cluding a mix of rural and urban areas), and contain  
4       a significant portion of uncovered children.

5               “(3) MATTERS INCLUDED.—In addition to the  
6       elements described in subsection (b)(1), the evalua-  
7       tion conducted under this subsection shall include,  
8       but is not limited to, the following:

9               “(A) Surveys of the target population (en-  
10       rollees, disenrollees, and individuals eligible for  
11       but not enrolled in the program under this  
12       title).

13              “(B) Evaluation of effective and ineffective  
14       outreach and enrollment practices with respect  
15       to children (for both the program under this  
16       title and the medicaid program under title  
17       XIX), and identification of enrollment barriers  
18       and key elements of effective outreach and en-  
19       rollment practices, including practices that have  
20       successfully enrolled hard-to-reach populations  
21       such as children who are eligible for medical as-  
22       sistance under title XIX but have not been en-  
23       rolled previously in the medicaid program under  
24       that title.

1           “(C) Evaluation of the extent to which  
2           State medicaid eligibility practices and proce-  
3           dures under the medicaid program under title  
4           XIX are a barrier to the enrollment of children  
5           under that program, and the extent to which  
6           coordination (or lack of coordination) between  
7           that program and the program under this title  
8           affects the enrollment of children under both  
9           programs.

10           “(D) An assessment of the effect of cost-  
11           sharing on utilization, enrollment, and coverage  
12           retention.

13           “(E) Evaluation of disenrollment or other  
14           retention issues, such as switching to private  
15           coverage, failure to pay premiums, or barriers  
16           in the recertification process.

17           “(4) SUBMISSION TO CONGRESS.—Not later  
18           than December 31, 2001, the Secretary shall submit  
19           to Congress the results of the evaluation conducted  
20           under this subsection.

21           “(5) FUNDING.—Out of any money in the  
22           Treasury of the United States not otherwise appro-  
23           priated, there are appropriated \$10,000,000 for fis-  
24           cal year 2000 for the purpose of conducting the eval-  
25           uation authorized under this subsection. Amounts

1       appropriated under this paragraph shall remain  
2       available without fiscal year limitation.”.

3       (d) INSPECTOR GENERAL AUDIT AND GAO REPORT  
4 ON ENROLLEES ELIGIBLE FOR MEDICAID.—Section 2108  
5 (42 U.S.C. 1397hh), as amended by subsection (c), is  
6 amended by adding at the end the following:

7       “(f) INSPECTOR GENERAL AUDIT AND GAO RE-  
8 PORT.—

9               “(1) AUDIT.—Beginning with fiscal year 2000,  
10       and every third fiscal year thereafter, the Secretary,  
11       through the Inspector General of the Department of  
12       Health and Human Services, shall audit a sample  
13       from among the States described in paragraph (2)  
14       in order to—

15               “(A) determine the number, if any,  
16       of enrollees under the plan under this title who  
17       are eligible for medical assistance under title  
18       XIX (other than as optional targeted  
19       low-income children under section  
20       1902(a)(10)(A)(ii)(XIV)); and

21               “(B) assess the progress made in reducing  
22       the number of targeted uncovered low-income  
23       children relative to the goals established in the  
24       State child health plan, as reported to the Sec-  
25       retary in accordance with subsection (a)(2).

1           “(2) STATE DESCRIBED.—A State described in  
2 this paragraph is a State with an approved State  
3 child health plan under this title that does not, as  
4 part of such plan, provide health benefits coverage  
5 under the State’s medicaid program under title XIX.

6           “(3) MONITORING AND REPORT FROM GAO.—  
7 The Comptroller General of the United States shall  
8 monitor the audits conducted under this subsection  
9 and, not later than March 1 of each fiscal year after  
10 a fiscal year in which an audit is conducted under  
11 this subsection, shall submit a report to Congress on  
12 the results of the audit conducted during the prior  
13 fiscal year.”.

14       (e) COORDINATION OF DATA COLLECTION WITH  
15 DATA REQUIREMENTS UNDER THE MATERNAL AND  
16 CHILD HEALTH SERVICES BLOCK GRANT.—Subpara-  
17 graphs (C)(ii) and (D)(ii) of section 506(a)(2) (42 U.S.C.  
18 706(a)(2)) are each amended by inserting “or the State  
19 plan under title XXI” after “title XIX”.

20       (f) COORDINATION OF DATA SURVEYS AND RE-  
21 PORTS.—The Secretary of Health and Human Services,  
22 through the Assistant Secretary for Planning and Evalua-  
23 tion, shall establish a clearinghouse for the consolidation  
24 and coordination of all Federal databases and reports re-  
25 garding children’s health.

1 **SEC. 708. GRANTS TO STATES FOR ITEMS AND SERVICES**  
2 **PROVIDED BY FEDERALLY-QUALIFIED**  
3 **HEALTH CENTERS AND RURAL HEALTH CLIN-**  
4 **ICS.**

5 (a) ESTABLISHMENT.—

6 (1) IN GENERAL.—Beginning with fiscal year  
7 2001, the Secretary shall award a grant to a State  
8 described in paragraph (2) for payment for items  
9 and services provided by Federally-qualified health  
10 centers and a rural health clinics located in the  
11 State—

12 (A) to individuals who are not eligible for  
13 medical assistance under the State plan under  
14 title XIX of the Social Security Act (42 U.S.C.  
15 1396 et seq.); and

16 (B) that would be considered medical as-  
17 sistance under the State plan under such title  
18 if such items and services were provided to an  
19 individual eligible for such assistance.

20 (2) STATE DESCRIBED.—

21 (A) IN GENERAL.—A State described in  
22 this paragraph is a State that has not elected  
23 to provide payment for Federally-qualified  
24 health center services and rural health clinic  
25 services provided under the State plan under  
26 title XIX of the Social Security Act, or under

1 a waiver of such plan approved under section  
2 1115 of that Act (42 U.S.C. 1315), in accord-  
3 ance with the phase-out of the reasonable cost  
4 basis for payment for such services provided in  
5 section 1902(a)(13)(C) of the Social Security  
6 Act (42 U.S.C. 1396a(a)(13)(C)), as amended  
7 by section 4712(a) of the Balanced Budget Act  
8 of 1997 (Public Law 105-33; 111 Stat. 508).

9 (B) EXCEPTION.—In the case of a State  
10 that, as of October 1, 1999, has elected to pro-  
11 vide payment for 95 percent of the costs of  
12 Federally-qualified health center services and  
13 rural health clinic services furnished during fis-  
14 cal year 2000 under such State plan or waiver,  
15 in accordance with section 1902(a)(13)(C) of  
16 the Social Security Act (as so amended), the  
17 State shall be considered to be a State de-  
18 scribed in subparagraph (A) if the State reverts  
19 to providing payment for 100 percent of the  
20 costs of such services under such State plan or  
21 waiver during fiscal years 2001 through 2003.

22 (3) APPLICATION.—A State shall submit an ap-  
23 plication for a grant under this section at such time,  
24 in such manner, and containing, in addition to the

1 methodology required under subsection (c)(1), such  
2 information as the Secretary may determine.

3 (b) AMOUNT OF GRANTS.—

4 (1) BASED ON NUMBER OF LOW-INCOME INDI-  
5 VIDUALS.—

6 (A) IN GENERAL.—Out of funds appro-  
7 priated under subsection (d) for each of fiscal  
8 years 2001 through 2003, the Secretary shall,  
9 subject to paragraphs (2) and (3), allot to each  
10 State eligible for a grant under this section for  
11 the fiscal year an amount equal to the ratio  
12 of—

13 (i) the number of low-income individ-  
14 uals in the State for the fiscal year; to

15 (ii) the total number of such individ-  
16 uals in all such States for the fiscal year.

17 (B) DETERMINATION OF NUMBER OF LOW-  
18 INCOME INDIVIDUALS.—For purposes of sub-  
19 paragraph (A), a determination of the number  
20 of low-income individuals for a State for a fiscal  
21 year shall be made on the basis of the arith-  
22 metic average of the number of such individ-  
23 uals, as reported and defined in the 3 most re-  
24 cent March supplements to the Current Popu-  
25 lation Survey of the Bureau of the Census be-

1 fore the beginning of the calendar year in which  
2 such fiscal year begins.

3 (2) MINIMUM AMOUNT.—In no case shall the  
4 amount of a grant to a State under this section for  
5 any fiscal year be less than \$400,000.

6 (3) RECONCILIATION.—The Secretary shall  
7 make pro rata adjustments as necessary to the allot-  
8 ments determined under this subsection in order to  
9 comply with the requirement of paragraph (2).

10 (4) NO MATCHING REQUIREMENT.—Nothing in  
11 this section shall be construed as requiring a State  
12 to expend or provide funds in order to receive funds  
13 under a grant made under this section.

14 (5) 3-YEAR AVAILABILITY OF AMOUNTS ALLOT-  
15 TED.—Amounts allotted to a State under a grant  
16 made under this section for a fiscal year shall re-  
17 main available for expenditure by the State through  
18 the end of the second succeeding fiscal year.

19 (c) LIMITATIONS ON USE OF FUNDS.—

20 (1) IN GENERAL.—Subject to paragraph (2),  
21 funds provided to a State under a grant made under  
22 this section for any fiscal year—

23 (A) shall be distributed among all the Fed-  
24 erally-qualified health centers and rural health  
25 clinics located in the State in accordance with

1 a methodology approved in advance by the Sec-  
2 retary that imposes a uniform criteria for such  
3 distribution, based on factors such as size of  
4 caseload and treatment costs; and

5 (B) may only be used for payment for  
6 items and services described in subsection  
7 (a)(1).

8 (2) STATE OPTION TO RETAIN FUNDS FOR AD-  
9 MINISTRATIVE COSTS.—A State that receives a grant  
10 under this section for a fiscal year may retain up to  
11 15 percent of the amount allotted to the State for  
12 the fiscal year for administrative expenditures in-  
13 curred by the State with respect to Federally-quali-  
14 fied health centers and rural health clinics located in  
15 the State.

16 (d) APPROPRIATION.—Out of any funds in the Treas-  
17 ury not otherwise appropriated, there is authorized to be  
18 appropriated and there is appropriated to make grants  
19 under this section \$25,000,000 for each of fiscal years  
20 2001 through 2003.

21 (e) DEFINITIONS.—In this section:

22 (1) FEDERALLY-QUALIFIED HEALTH CENTER;  
23 FEDERALLY-QUALIFIED HEALTH CENTER SERV-  
24 ICES.—The terms “Federally-qualified health cen-  
25 ter” and “Federally-qualified health center services”

1 have the meanings given those terms in section  
2 1905(l)(2) of the Social Security Act (42 U.S.C.  
3 1396d(l)(2)).

4 (2) RURAL HEALTH CLINIC; RURAL HEALTH  
5 CLINIC SERVICES.—The terms “rural health clinic”  
6 and “rural health clinic services” have the meanings  
7 given those terms in section 1905(l)(1) of the Social  
8 Security Act (42 U.S.C. 1396d(l)(1)).

9 (3) SECRETARY.—The term ‘Secretary’ means  
10 the Secretary of Health and Human Services.

11 (f) GAO STUDY AND REPORT.—

12 (1) STUDY.—The Comptroller General of the  
13 United States shall conduct a study to determine the  
14 impact on Federally-qualified health centers and  
15 rural health clinics of the phase-out of the reason-  
16 able cost basis for payment for Federally-qualified  
17 health center services and rural health clinic services  
18 provided in section 1902(a)(13)(C) of the Social Se-  
19 curity Act (42 U.S.C. 1396a(a)(13)(C)), as amended  
20 by section 4712(a) of the Balanced Budget Act of  
21 1997 (Public Law 105–33; 111 Stat. 508).

22 (2) REPORT.—Beginning with November 1,  
23 2000, and annually thereafter through November 1,  
24 2003, the Comptroller General shall submit a report  
25 to Congress on the results of the study conducted

1 under this subsection, together with any rec-  
2 ommendations for legislation that the Comptroller  
3 General determines to be appropriate as a result of  
4 such study.

5 **SEC. 709. ADDITIONAL TECHNICAL CORRECTIONS.**

6 (a) Section 1902(a)(64) (42 U.S.C. 1396a(a)(64)) is  
7 amended by adding “and” at the end.

8 (b) Section 1902(j) (42 U.S.C. 1396a(j)) is amended  
9 by striking “of of” and inserting “of”.

10 (c) Section 1902(l) (42 U.S.C. 1396a(l)) is amend-  
11 ed—

12 (1) in paragraph (1)(C), by striking “children  
13 children” and inserting “children”;

14 (2) in paragraph (3), in the matter preceding  
15 subparagraph (A), by striking the first comma after  
16 “(a)(10)(A)(i)(VII)”;

17 (3) in paragraph (4)(B), by inserting a comma  
18 after “(a)(10)(A)(i)(IV)”.

19 (d) Section 1902(v) (42 U.S.C. 1396a(v)) is amended  
20 by striking “(1)”.

21 (e) Section 1903(b)(4) (42 U.S.C. 1396b(b)(4)) is  
22 amended, in the matter preceding subparagraph (A), by  
23 inserting “of” after “for the use”.

24 (f) The left margins of clauses (i) and (ii) of section  
25 1903(d)(3)(B) (42 U.S.C. 1396b(d)(3)(B)) are each re-

1 aligned so as to align with the left margin of section  
2 1903(d)(3)(A).

3 (g) Section 1903(f)(2) (42 U.S.C. 1396b(f)(2)) is  
4 amended by striking the extra period at the end.

5 (h) Section 1903(i)(14) (1396b(i)(14)) is amended by  
6 adding “or” after the semicolon.

7 (i) Section 1903(m)(2)(A) (42 U.S.C.  
8 1396b(m)(2)(A)) is amended—

9 (1) in clause (vi), by striking the semicolon the  
10 first place it appears; and

11 (2) by redesignating the clause (xi) added by  
12 section 4701(c)(3) of the Balanced Budget Act of  
13 1997 (Public Law 105–33; 111 Stat. 493) as clause  
14 (xii).

15 (j) Section 1903(o) (42 U.S.C. 1396b(o)) is amended  
16 by striking “1974))” and inserting “1974”.

17 (k) Section 1903(w) (42 U.S.C. 1396b(w)) is amend-  
18 ed—

19 (1) in paragraph (1)(B), by striking “puroses”  
20 and inserting “purposes”;

21 (2) in paragraph (3)(B), by inserting a comma  
22 after “(D)”;

23 (3) by realigning the left margin of clause (viii)  
24 in paragraph (7)(A) so as to align with the left mar-  
25 gin of clause (vii) of that paragraph.

1 (l) Section 1905(b)(1) (42 U.S.C. 1396d(b)(1)) is  
2 amended by striking “per centum,,” and inserting “per  
3 centum,”.

4 (m) Section 1905(l)(2)(B) (42 U.S.C.  
5 1936d(l)(2)(B)) is amended by striking “a entity” and in-  
6 serting “an entity”.

7 (n) The heading for section 1910 (42 U.S.C. 1396i)  
8 is amended by striking “OF” the first place it appears.

9 (o) Section 1915 (42 U.S.C. 1396n) is amended—

10 (1) in subsection (b), by striking  
11 “1902(a)(13)(E)” and inserting “1902(a)(13)(C)”;

12 (2) in the last sentence of subsection  
13 (d)(5)(B)(iii), by striking “75” and inserting “65”;  
14 and

15 (3) in subsection (h), by striking “90 day” and  
16 inserting “90 days”.

17 (p) Section 1919 (42 U.S.C. 1396r) is amended—

18 (1) in subsection (b)(3)(C)(i)(I), by striking  
19 “not later than” the first place it appears; and

20 (2) in subsection (d)(4)(A), by striking “1124”  
21 and inserting “1124”.

22 (q) Section 1920(b)(2)(D)(i)(I) (42 U.S.C. 1396r-  
23 1(b)(2)(D)(i)(I)) is amended by striking “329, 330, or  
24 340” and inserting “330 or 330A”.

1 (r) Section 1920A(d)(1)(B) (42 U.S.C. 1396r–  
2 1a(d)(1)(B)) is amended by striking “a entity” and insert-  
3 ing “an entity”.

4 (s) Section 1923(c)(3)(B) (42 U.S.C. 1396r–  
5 4(c)(3)(B)) is amended by striking “patients.” and insert-  
6 ing “patients,”.

7 (t) Section 1925 (42 U.S.C. 1396r–6) is amended—

8 (1) in subsection (a)(3)(C), by striking “(i)(VI)  
9 (i)(VII),,” and inserting “(i)(VI), (i)(VII),”; and

10 (2) in subsection (b)(3)(C)(i), by striking  
11 “(i)(IV) (i)(VI) (i)(VII),,” and inserting “(i)(IV),  
12 (i)(VI), (i)(VII),”.

13 (u) Section 1927 (42 U.S.C. 1396r–8) is amended—

14 (1) in subsection (g)(2)(A)(ii)(II)(cc), by strik-  
15 ing “individuals” and inserting “individual’s”;

16 (2) in subsection (i)(1), by striking “the the”  
17 and inserting “the”; and

18 (3) in subsection (k)(7)—

19 (A) in subparagraph (A)(iv), by striking  
20 “distributers” and inserting “distributors”; and

21 (B) in subparagraph (C)(i), by striking  
22 “pharmaceutically” and inserting “pharma-  
23 ceutically”.

24 (v) Section 1929 (42 U.S.C. 1396t) is amended—

1           (1) in subsection (c)(2), by realigning the left  
2 margins of clauses (i) and (ii) of subparagraph (E)  
3 so as to align with the left margins of clauses (i)  
4 and (ii) of subparagraph (F) of that subsection;

5           (2) in subsection (k)(1)(A)(i), by striking “set-  
6 tings,” and inserting “settings,”; and

7           (3) in subsection (l), by striking “State wide-  
8 ness” and inserting “Statewideness”.

9           (w) Section 1932 (42 U.S.C. 1396u–2) is amended—  
10           (1) in subsection (c)(2)(C), by inserting “part”  
11 before “C of title XVIII”; and

12           (2) in subsection (d)—

13                   (A) in paragraph (1)(C)(ii), by striking  
14 “Act” and inserting “Regulation”; and

15                   (B) in paragraph (2)(B), by striking  
16 “1903(t)(3)” and inserting “1905(t)(3)”.

17           (x) Section 1933(b)(4) (42 U.S.C. 1396u–3(b)(4)) is  
18 amended by inserting “a” after “for a month in”.

19           (y) Section 2104(b)(3)(B) (42 U.S.C.  
20 1397dd(b)(3)(B)) is amended by striking “States.” and  
21 inserting “States,”.

22           (z) Section 2105(d)(2)(B)(iii) (42 U.S.C.  
23 1397ee(d)(2)(B)(iii)) is amended by inserting “in” after  
24 “described”.

1 (aa) Section 2109(a) (42 U.S.C.1397ii(a)) is amend-  
2 ed—

3 (1) in paragraph (1), by striking “title II” and  
4 inserting “title I”; and

5 (2) in paragraph (2), by inserting “)” before  
6 the period.

7 (bb)(1) The section 1908 (42 U.S.C. 1396g–1) that  
8 relates to required laws relating to medical child support  
9 is redesignated as section 1908A.

10 (2) Section 1902(a)(60) (42 U.S.C. 1396b(a)(60)) is  
11 amended by striking “1908” and inserting “1908A”.

12 (cc) Effective October 1, 2003, section 1915(b) (42  
13 U.S.C. 1396n(b)) is amended, in the matter preceding  
14 paragraph (1), by striking “sections 1902(a)(13)(C) and”  
15 and inserting “section”.

16 (dd) Except as otherwise provided, the amendments  
17 made by this section shall take effect on the date of enact-  
18 ment of this Act.